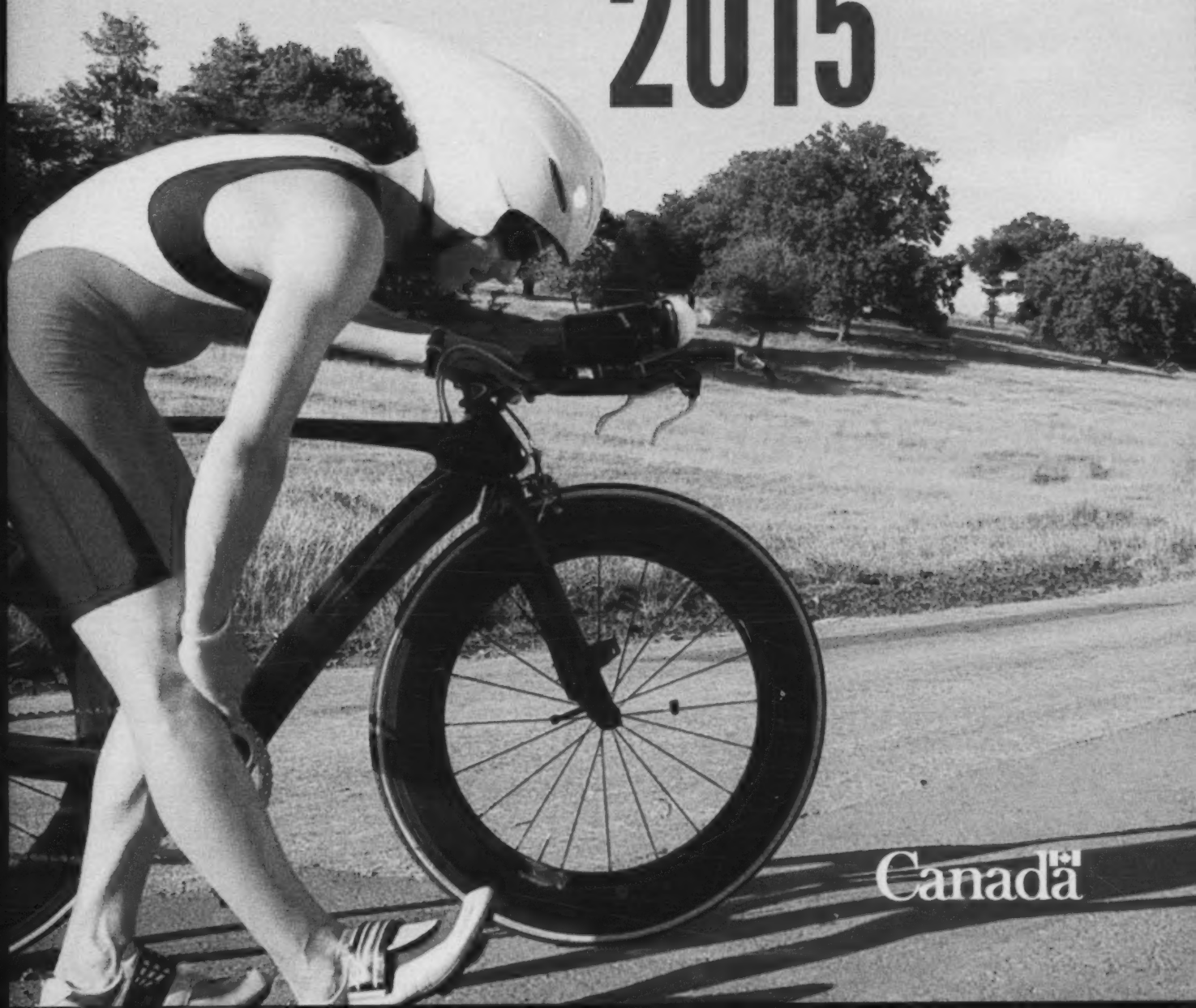
CDIC
Canada Deposit Insurance Corporation

ANNUAL REPORT 2015

Always ready to protect your savings



Canada

CDIC mandate

CDIC's mandate is to provide insurance against the loss of all or part of deposits and to promote and otherwise contribute to the stability of the financial system in Canada, for the benefit of those with deposits in CDIC member institutions while minimizing the Corporation's exposure to loss.

Our vision statement

Earning the trust of Canadians as a global leader in deposit insurance and resolution.

CDIC deposit insurance coverage

What's covered?

CDIC insures eligible deposits held in each member institution up to a maximum of $100,000 (principal and interest combined) separately in each of the following:

- deposits held in one name
- joint deposits
- trust deposits
- Registered Retirement Savings Plans (RRSPs)
- Registered Retirement Income Funds (RRIFs)
- Tax-Free Savings Accounts (TFSAs)
- deposits held for paying taxes on mortgaged property

What's an eligible deposit?

Eligible deposits include:

- savings accounts and chequing accounts
- term deposits, such as Guaranteed Investment Certificates (GICs), of five years or less
- money orders, travellers' cheques and bank drafts issued by CDIC members, and cheques certified by CDIC members
- debentures issued by loan companies that are CDIC members

Deposits must be payable in Canada, in Canadian currency.

What's not covered?

CDIC deposit insurance does not protect all accounts and financial products. For example, mutual funds, stocks, and foreign currency deposits, including those in U.S. dollars, are not covered by CDIC.

See CDIC's website at **www.cdic.ca** for details.

Contact us

CDIC is committed to promoting awareness about deposit insurance. Visit our website at **www.cdic.ca**. You can also reach us by phone, e-mail, fax or letter:

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Canada Deposit Insurance Corporation
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Ottawa, Ontario
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Five-year financial and statistical summary

For the years ending March 31	2015	2014	2013	2012	2011
Selected statement of financial position items (C$ millions)					
Cash and investments	3,044	2,761	2,561	2,441	2,209
Provision for insurance losses	1,250	1,200	1,250	1,150	1,100
Retained earnings	1,801	1,569	1,316	1,294	1,113
Selected statement of comprehensive income items (C$ millions)					
Premiums	279	192	120	224	253
Investment income	40	36	39	40	33
Operating expenses	40	38	36	32	31
Increase (decrease) in provision for insurance losses	50	(50)	100	50	-
Total comprehensive income	232	252	23	180	255
Member institutions (Number)					
Domestic banks and subsidiaries	47	48	49	46	44
Domestic trust and loan companies and associations	15	15	16	17	21
Subsidiaries of foreign financial institutions	16	16	18	21	20
Total number of institutions	78	79	83	84	85
Total insured deposits[a] (C$ billions)	684	665	646	622	604
Growth rate of insured deposits (%)	3.0%	3.0%	3.9%	3.0%	2.4%
***Ex ante* funding** (C$ billions)	3.1	2.8	2.6	2.4	2.2
Basis points of insured deposits	45	42	40	39	37
Permanent employees (Number)[b]	114	110	102	99	96
Borrowing limit (C$ billions)	20	19	19	18	17

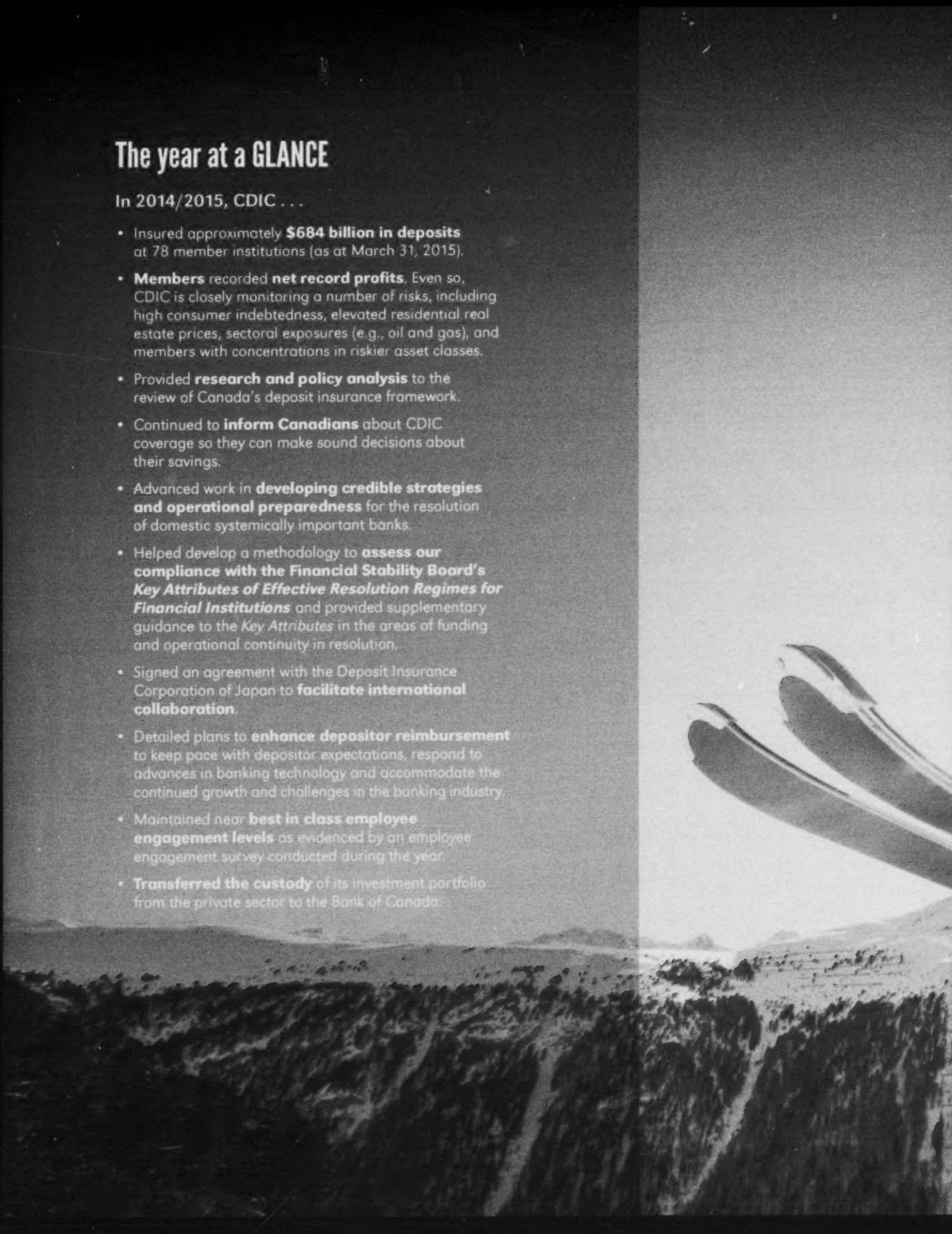
a Insured deposits are calculated at April 30 each year. The amounts presented for the years ended March 31 are therefore reflective of the previous April 30 calculation.

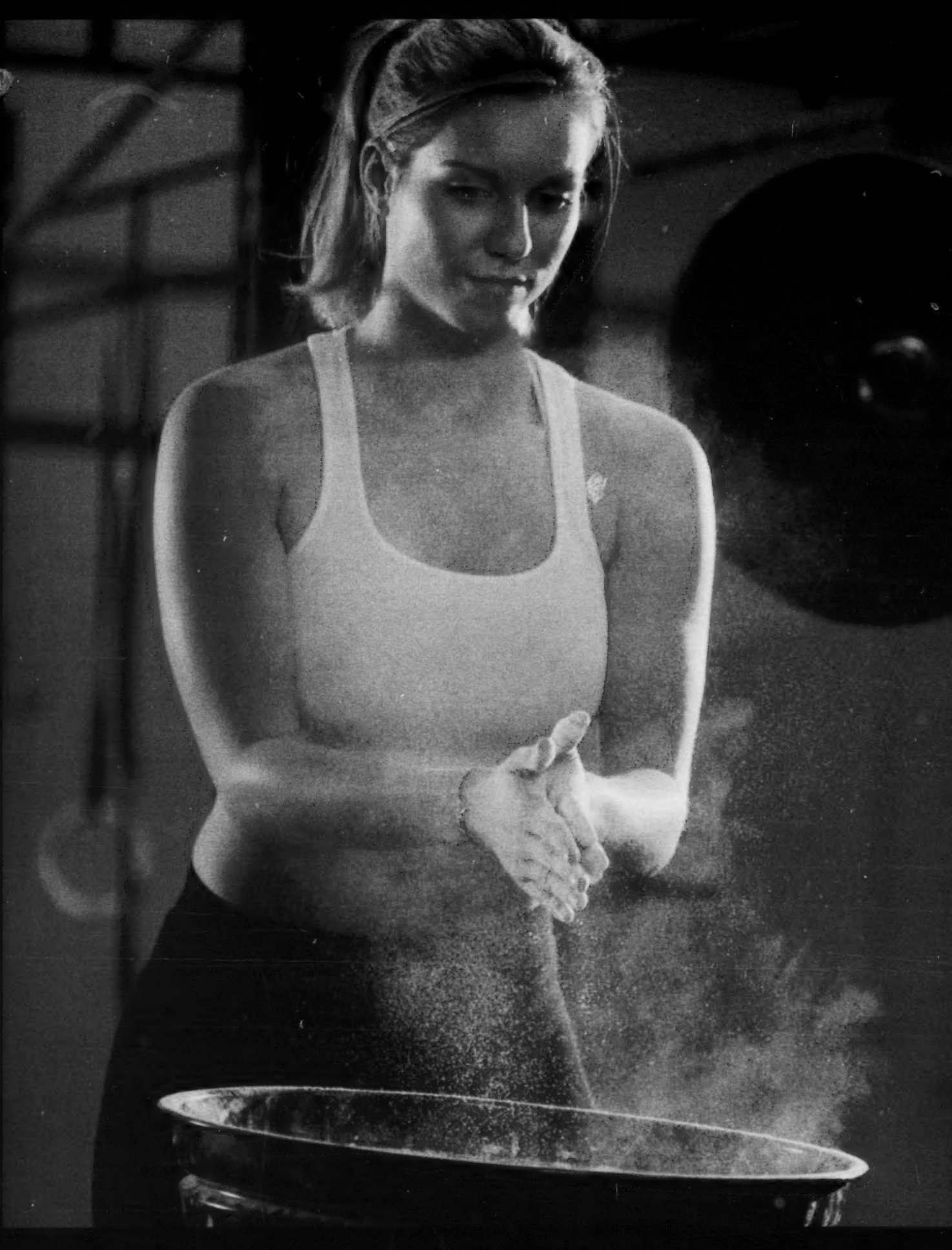
b Represents the number of full-time, permanent employees at year end.

The year at a GLANCE

In 2014/2015, CDIC . . .

- Insured approximately **$684 billion in deposits** at 78 member institutions (as at March 31, 2015).
- **Members** recorded **net record profits**. Even so, CDIC is closely monitoring a number of risks, including high consumer indebtedness, elevated residential real estate prices, sectoral exposures (e.g., oil and gas), and members with concentrations in riskier asset classes.
- Provided **research and policy analysis** to the review of Canada's deposit insurance framework.
- Continued to **inform Canadians** about CDIC coverage so they can make sound decisions about their savings.
- Advanced work in **developing credible strategies and operational preparedness** for the resolution of domestic systemically important banks.
- Helped develop a methodology to **assess our compliance with the Financial Stability Board's *Key Attributes of Effective Resolution Regimes for Financial Institutions*** and provided supplementary guidance to the *Key Attributes* in the areas of funding and operational continuity in resolution.
- Signed an agreement with the Deposit Insurance Corporation of Japan to **facilitate international collaboration**.
- Detailed plans to **enhance depositor reimbursement** to keep pace with depositor expectations, respond to advances in banking technology and accommodate the continued growth and challenges in the banking industry.
- Maintained near **best in class employee engagement levels** as evidenced by an employee engagement survey conducted during the year.
- **Transferred the custody** of its investment portfolio from the private sector to the Bank of Canada.





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Message from THE CHAIR

Message from THE CHAIR

Earlier in 2015, I announced that I would be retiring as Chair once the Government had selected a successor. This will be my last contribution to CDIC's Annual Reports.

Looking back over my messages of the past eight years, I was reminded of the dramatic and extensive changes that have occurred since my appointment in 2006—to the financial services environment, and to the role of CDIC. Insured deposits have grown by well over 40 percent, and CDIC now insures approximately $700 billion in savings of Canadians. The financial crisis emerged shortly after my appointment and generated major increases in CDIC's responsibilities, supported by significant statutory amendments that provided new and expanded authorities to the Corporation. The designation of CDIC as Canada's resolution authority for systemically significant deposit-taking institutions magnified the duties of our Board and staff, and has occasioned major structural changes within the Corporation.

As has been the case over my entire term, CDIC has not had to address a failed member institution in the past year. Nevertheless, the organization has been kept extremely busy and challenged in renewing and enhancing its payout and risk assessment processes and tools, and building a framework to handle a large bank resolution effectively. Our Board was heavily involved in monitoring and advising on all of these activities during 2014/2015.

The post-crisis environment is still evolving. CDIC was very active over the past year in contributing to deliberations supporting the design of a taxpayer protection and recapitalization regime ("bail-in") for Canada's largest banks. This regime will contribute another significant instrument to the toolkit available to CDIC, should a large institution have to be resolved. CDIC was also asked to participate in a number of other federal government policy initiatives in 2014/2015. Of note, CDIC staff contributed to analysis in an ongoing review of Canada's deposit insurance program, undertaken to ensure that deposit insurance continues to provide adequate protection for the savings of Canadians. As well, a consultation process was started with the credit union industry to address the challenges associated with extending deposit insurance to those institutions under a federal framework.

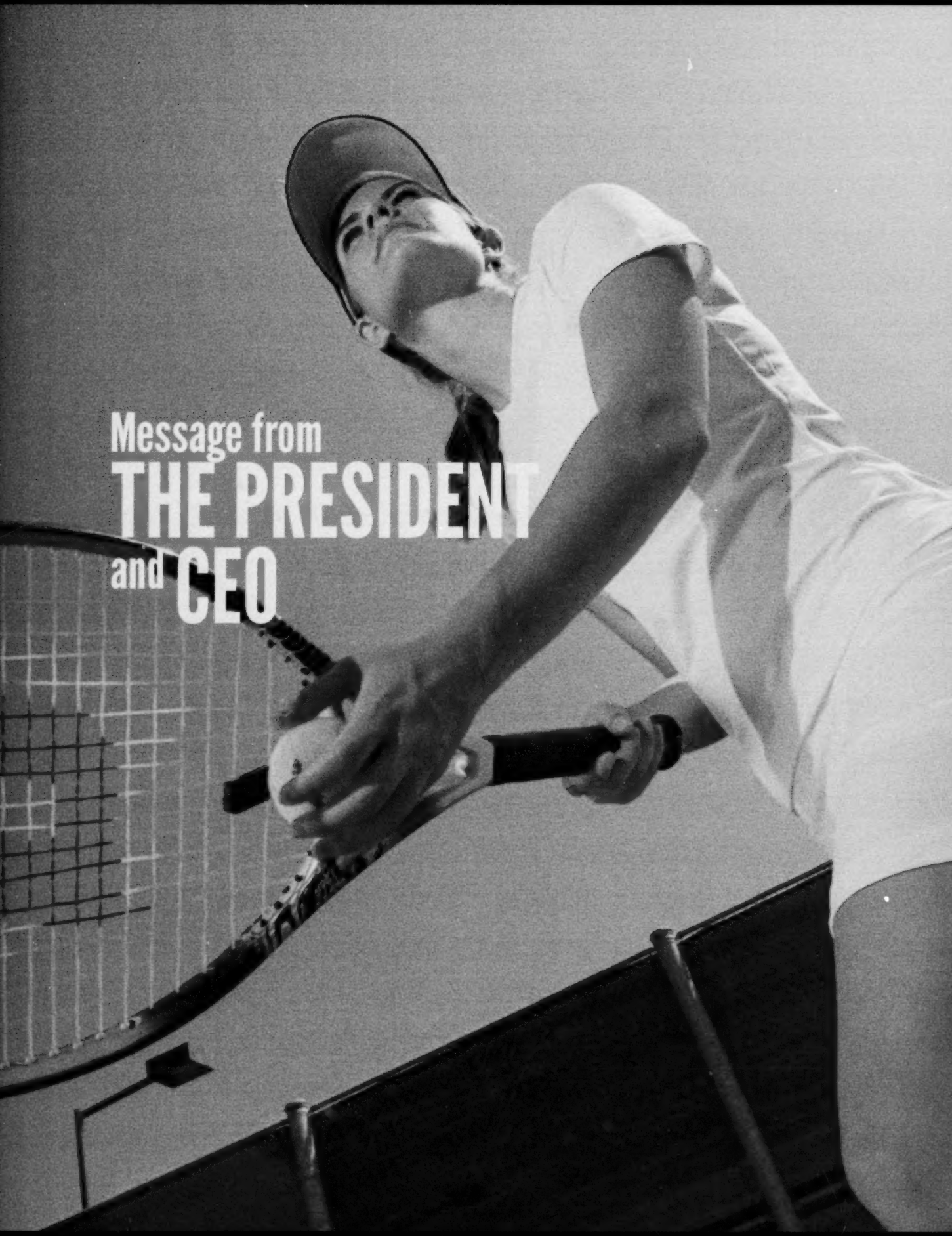
Over the course of my term as Chair, I have had the pleasure and opportunity to serve with over 30 colleagues on the Board. In 2014/2015, as in all years, we experienced changes to the Board's composition. Julie Dickson, Michael Horgan, Andrew Kriegler and John McFarlane departed the Board, and I thank them for their dedicated service. We were pleased to welcome Susan Hicks and Paul Rochon to the Board, and to retain the contributions of Jeremy Rudin, who had previously served as an Alternate before being appointed Superintendent of Financial Institutions and thus joining our Board as a member.

I have also been supported by a very committed and capable staff at CDIC, led by two excellent CEOs: Guy Saint-Pierre and, since May of 2010, Michèle Bourque. The Government re-appointed Michèle for a second term this past year, which recognizes her exemplary leadership of CDIC during these complex times.

I would also like to thank our Ministers, the late Honourable James Flaherty and the Honourable Joe Oliver, for the confidence they displayed in the Board and staff of CDIC by assigning extensive new duties to the Corporation and providing the resources needed to meet those responsibilities.

I will miss serving on the CDIC Board, but will leave knowing that my successor will inherit not only an experienced and engaged Board, but also a superb and dedicated staff, led by an exceptional CEO.

Bryan P. Davies



Message from THE PRESIDENT and CEO

Message from THE PRESIDENT and CEO

A financial system is based on the public's confidence in its stability. CDIC nurtures and safeguards that confidence by fulfilling its mandate as both the federal deposit insurer and as the resolution authority for Canada's large, systemically important banks.

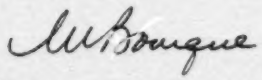
As a deposit insurer, we provide Canadians with ready access to their money should their bank fail. As a priority last year, we improved our ability to make payments to depositors as quickly and in the most convenient and secure way possible. We made advances toward replacing cheques as a method of payment, as well as developing a web-based approach to interacting with depositors that will be piloted this coming year.

We also simulated reimbursement of a bank with one million depositors. The exercise challenged our systems, processes and people. It demonstrated the significant progress we have made over the years in expediting the reimbursement process in a failure, and will help inform some of our key initiatives over the next few years.

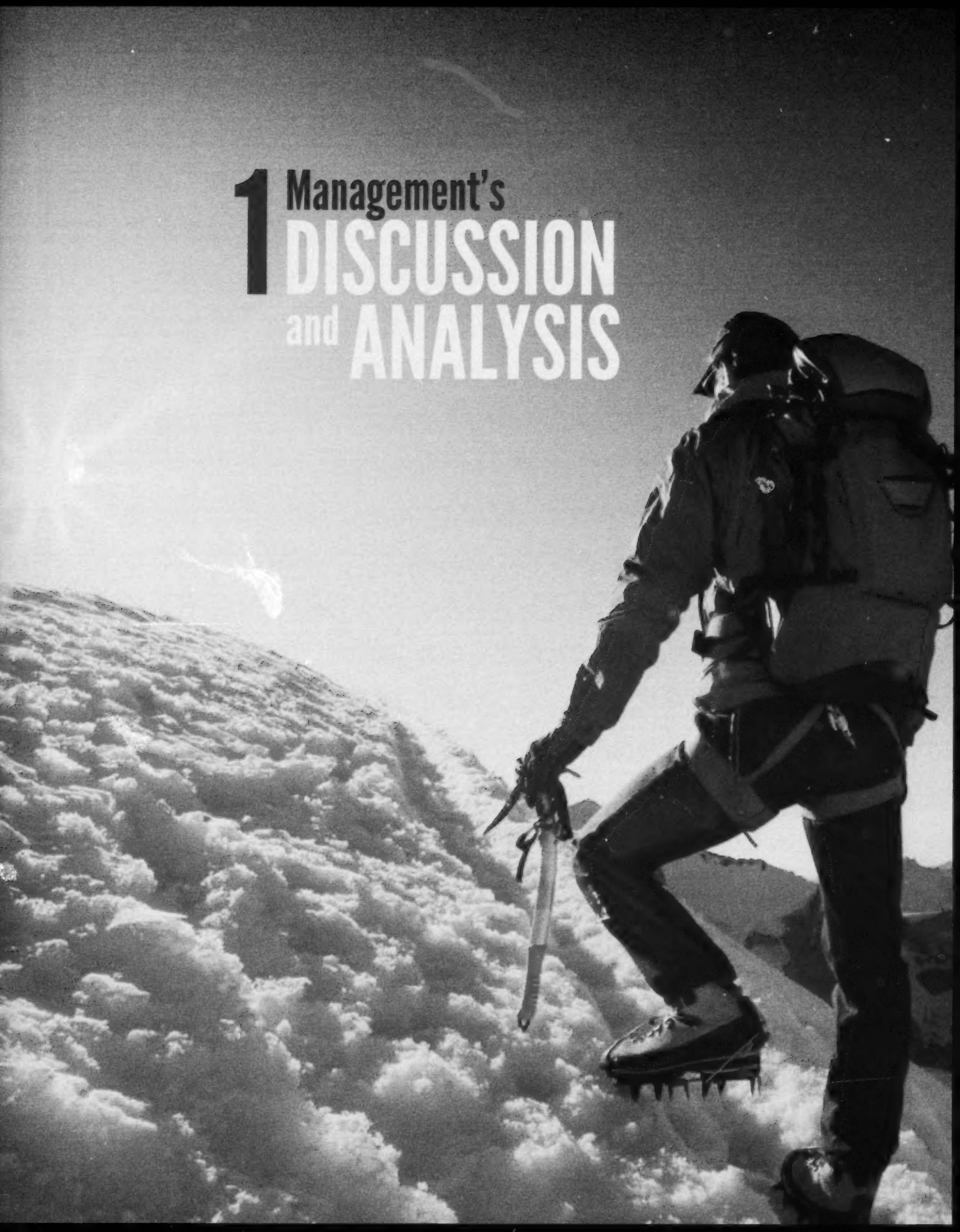
As the resolution authority, it is our role to prepare for the possibility of failure of one of our systemically important banks. This means we must be ready to respond to an event that could have a deep and immediate impact on our financial system and on Canadians. Our preparations this year included developing a deeper understanding of the banks' operations in Canada and abroad, to identify how we would maintain all the critical functions they perform for Canadians and the financial system. This complex work is supported by the banks' significant contribution, in the form of data and analysis. In addition, an essential feature of resolving these banks is the need to address cross-border issues that could impede a smooth and orderly resolution. To that end, we have strengthened our cross-border ties with key regulators in the United States and the United Kingdom and have formalized our relationship with other foreign authorities. Our operational plan also reflects close collaboration with domestic players, in particular, the other federal safety net agencies.

In the past year as we achieved many initiatives across CDIC, we continued to look for ways to improve operational efficiency. Key among these was the transfer of the custody of our investment portfolio from the private sector to the Bank of Canada. Keeping Canadians informed about CDIC also remains an important objective for us. We maintained overall awareness levels of CDIC above our 50% target, while achieving cost efficiencies in our communications activities. Going forward, we will focus on maintaining our presence among Canadians while seeking greater efficiencies and building an understanding of our role as the resolution authority.

I am delighted to have been appointed to a second five-year term as CDIC's President and CEO, beginning May 9, 2015. I am privileged to have the continuing support and counsel of the members of our Board of Directors, led by our dedicated Chair, Bryan Davies. As I begin my term, I am pleased to launch our new corporate vision: "Earning the trust of Canadians as a global leader in deposit insurance and resolution." This vision encapsulates CDIC's important mandate to sustain confidence in Canada's financial system. As I reflect back over our accomplishments during my first term, I am proud of our talented team of employees and look forward to achieving our future goals, and our new vision, together.



Michèle Bourque



1 Management's DISCUSSION and ANALYSIS

Management's DISCUSSION and ANALYSIS

CDIC's operating environment

Economic environment

The Canadian economy continued to expand in 2014 but contracted in the first quarter of 2015. Despite substantially lower oil prices, the Canadian economic environment is expected to benefit from the strengthening of the U.S. economy, the depreciation of the Canadian dollar, and the decline in the Bank of Canada's target key interest rate.

The Canadian economy remains vulnerable to adjustments in house prices in an environment of high household debt. Housing prices in major metropolitan areas continue to be elevated relative to historical standards and household indebtedness remains at historical peak levels. However, there are signs of adjustments in certain specific markets. The growth of prices across major cities is slowing, partly due to the influence of persistent lower oil prices, as well as to changes in the mortgage market.[1] Disposable income for households in the last quarter of 2014 increased at a slower pace than debt.[2] As a result, the household debt-to-income ratio reached a new high at 163%.

International regulatory efforts

G20 countries continue to implement the Financial Stability Board's (FSB's) *Key Attributes of Effective Resolution Regimes for Financial Institutions* (the *Key Attributes*). The *Key Attributes* are designed to ensure that failures of systemically important financial institutions can be resolved in a manner that maintains continuity of their vital economic functions, protects stability, and avoids taxpayer exposure to loss. As the resolution authority for Canada's domestic systemically important banks (D-SIBs), it is important for CDIC to stay at the forefront of international developments. During the year, we participated in the development of a compliance assessment methodology for the *Key Attributes* and, in FSB working groups, provided supplementary guidance in the areas of funding in resolution and operational continuity in the event of a failure.

In addition, CDIC chaired a joint working group made up of participants from the International Association of Deposit Insurers (IADI), the Basel Committee on Banking Supervision (BCBS), the European Forum of Deposit Insurers, the European Commission, the International Monetary Fund, and the World Bank. The Working Group reviewed and updated the 2009 BCBS-IADI Core Principles for Effective Deposit Insurance Systems. The revised Core Principles were added to the FSB Compendium of International Financial Standards in the fall of 2014.

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1 The reforms to the mortgage market that contributed to the cooling of the housing market include the reduction in maximum amortization periods, the increase in down payments, the new borrowing caps on mortgage refinancing, the tightening in mortgage insurance, and the introduction of new mortgage underwriting guidelines for banks and federally regulated institutions.

2 Household credit market debt includes consumer credit, mortgage and non-mortgage loans.

Federal government initiatives

Deposit insurance review

In 2014, the Government launched a review of Canada's deposit insurance framework to ensure that deposit insurance continues to provide adequate protection for the savings of Canadians. The review takes into account lessons from the recent financial crisis and substantial shifts in the global banking landscape. CDIC has contributed significant research and policy analysis to the review; we will continue to work closely with the federal government on this important initiative in the coming year.

Readiness in support of federal credit unions

The federal credit union (FCU) framework was put in place in 2012. The framework is designed to promote competition, efficiency, innovation and stability by providing a choice to individual credit unions and their members seeking to grow regionally or nationally. To address differences between provincial and CDIC deposit insurance, the regime temporarily extends coverage to the level offered by the provincial deposit insurer. We are adapting our current processes to ensure we are ready when we welcome our first FCU member under federal jurisdiction.

Investment management practices

The 2014 federal budget proposed legislative amendments to allow the Bank of Canada to provide banking and custodial services to CDIC. Following required amendments to both the *Bank of Canada Act* and the *Canada Deposit Insurance Corporation Act* (the *CDIC Act*), CDIC transferred the custody of its investment portfolio from the private sector to the Bank of Canada.

Risk governance and management at CDIC

CDIC has in place an Enterprise Risk Management (ERM) program to identify and manage key risks that could prevent the Corporation from achieving its objectives. The program includes a detailed annual assessment of CDIC's most significant risks, as well as quarterly updates to identify and assess any substantial changes related to these risks.

The ERM program has identified nine significant internal risks across four categories: Insurance, Operational, Financial, and Reputation. Management has concluded that, overall, at March 31, 2015, CDIC's risks remain acceptable, although insurance powers, intervention, people, and technology risks are assessed as cautionary, meaning that the residual risk in those areas warrants close monitoring.

Our Enterprise Risk Management process:

- Identifies and assesses the significant risks to which CDIC is exposed
- Provides the Audit Committee of the Board of Directors and the Board of Directors with reports designed to enable them to understand these risks
- Reviews CDIC's policies governing each significant risk to ensure that they continue to be appropriate and prudent
- Identifies initiatives to enhance the management of each significant risk and monitors the progress in completing each initiative

The three most significant risks are described below. Management has developed initiatives to monitor and further mitigate these risks.

Preparedness for a D-SIB resolution

CDIC's processes and tools are mature for small and mid-sized members, and we have made much progress in recent years to improve our ability to respond to a large bank failure. At the same time, policy frameworks addressing large bank failure continue to evolve. A tabletop exercise, conducted in March 2014, revealed gaps in CDIC's powers and processes as they relate to the resolution of one of our D-SIBs. This is expected to remain a key risk for the Corporation until a number of milestones are achieved, including: robust resolution plans and strategies are in place for all D-SIBs; intervention operational capabilities are in place and tested through tabletop exercises; a bail-in regime has been implemented; and arrangements for coordination are established with strategic foreign and domestic stakeholders in resolution. (*Reflected in overall cautionary ratings for insurance powers and intervention risks*.)

Cyber security

The number and sophistication of cyber attacks on organizations around the world continue to increase. This is of importance to CDIC, as we rely heavily on our information systems to deliver our mandate. A recent cyber security assessment indicated that CDIC's security technology is strong, but must be continuously monitored to ensure that it keeps pace in an evolving environment. The assessment also highlighted opportunities to enhance the Corporation's ability to identify and respond to potential cyber threats. CDIC has developed a plan to address these gaps. (*Reflected in overall cautionary rating for technology risk*.)

People: bench strength and succession planning

Though employee engagement levels remain near best in class, and turnover rates remain extremely low, attracting talent in the area of D-SIB resolution continues to be a challenge. Succession planning is also a priority to ensure that we are well-positioned for the future with succession candidates in place for key senior roles. We are developing a recruitment strategy that will be implemented during the planning period to address these concerns. (*Reflected in overall cautionary rating for people risk*.)

Summary of Management's assessment of CDIC's significant risks

as at March 31, 2015

	Rating	Trend
Insurance risks		
Insurance powers risk: The risk that CDIC does not have the necessary powers to support the management of its insurance risk in accordance with CDIC's statutory objects.		Decreasing
Assessment risk: The risk that CDIC does not promptly or systematically identify member institutions that pose an unacceptable level of insurance risk.		Stable
Intervention risk: The risk that CDIC cannot or does not take timely and effective action with respect to an unacceptable level of insurance risk posed by a member institution, or with respect to failed member institutions.		Stable
Operational risks		
People risk: The risk resulting from inadequacies in competency, capacity or performance, or from the inappropriate treatment, of CDIC personnel.		Stable
Information risk: The risk that timely, accurate and relevant data and information are not available to facilitate informed decision making and/or the exercise of effective oversight.		Increasing
Technology risk: The risk that CDIC's technical systems and capabilities do not appropriately support the achievement of its statutory objects and the conduct of its affairs.		Stable
Process risk: The risk resulting from the incorrect execution of, a breakdown in, or a gap in, a policy, procedure or control respecting CDIC's processes.		Increasing
Financial risk		
Financial risk: The risk associated with managing CDIC's assets and liabilities, both on- and off-balance sheet.		Stable
Reputation risk		
Reputation risk: The risk of an event significantly affecting stakeholders' perceived trust and confidence in CDIC, and which could result in a financial and/or other loss to CDIC.		Increasing

LEGEND

Ratings:

Acceptable– meaning that the residual risk is acceptable and appropriate risk management practices are in place.

Cautionary– meaning that the residual risk warrants close monitoring and/or that previously identified initiatives to enhance the management of the risk are not yet fully implemented.

Serious concern– meaning that significant gaps may exist in risk management practices and controls and immediate action is required from Management.

Trends:

Stable– residual risk is not expected to change over the next year.

Decreasing– residual risk is expected to decline over the next year.

Increasing– residual risk is expected to increase over the next year.

CDIC membership

As at March 31, 2015, CDIC had 78 member institutions, a decrease of one from the previous year. With respect to specific changes, effective May 30, 2014, the policy of deposit insurance of Jameson Bank was cancelled; effective October 1, 2014, Bank West changed its name to Zag Bank; and effective December 5, 2014, Continental Bank of Canada became a member of CDIC—however, its membership was cancelled April 6, 2015.

Insured deposits

As at April 30, 2014, deposits insured by CDIC increased by 3% year over year to $684 billion. Insured deposits represented approximately 30% of total deposit liabilities held by member institutions. The vast majority of deposits insured by CDIC are from individuals while most wholesale deposits remain uninsured because of their large size (over the $100,000 insurance limit). The D-SIBs peer group represented 90% of the membership's total insured deposits. The Consumer peer group had the highest ratio of insured deposits (87%), followed by the Residential and Commercial peer groups, with 64% and 63%, respectively.

CDIC member peer groups

Member institutions consolidate to 50 distinct groups on the basis of affiliation with a parent. For the purpose of analysis, each member institution or affiliated group is assigned to a peer group based on similar size, geographic reach of its operations and/or its primary business activities.

Domestic systemically important banks (D-SIBs)—includes the largest six banks designated by the Office of the Superintendent of Financial Institutions (OSFI) as domestic systemically important

Mid-sized —includes members with total assets between $10 billion and $100 billion

Residential—main business line is residential mortgages

Commercial—main business lines are business loans or commercial mortgages

Consumer—main business lines are retail and investment loans to individuals

Fee income—revenues are largely derived from services and related fees, although these members do not necessarily operate in similar business lines

Financial performance

Overall, CDIC's membership recorded strong financial performance in 2014 with another year of record net profits, continued favourable asset quality metrics (low loan impairment), and solid capital ratios.

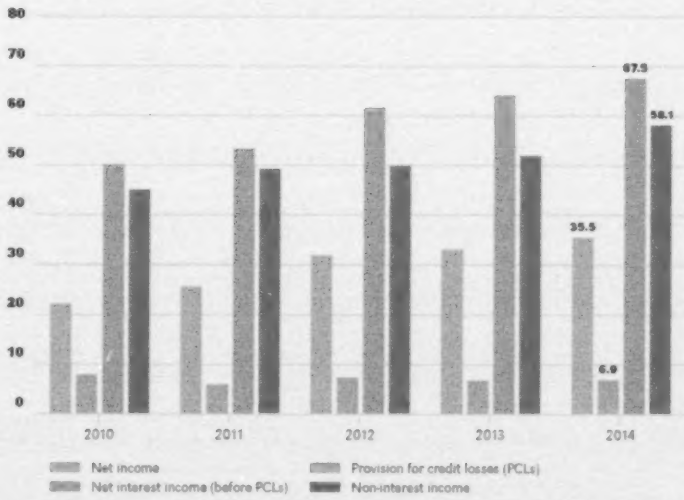
Profit and return on average shareholders' equity

CDIC members earned a combined total net income of $35.5 billion in 2014, up from $33.1 billion in 2013 (a 7% increase). Provisions for credit losses of $6.9 billion were marginally higher (0.4%) year over year but remained well below the 2009 peak of $12.6 billion, despite a 61%[3] increase in loans over the last four years.

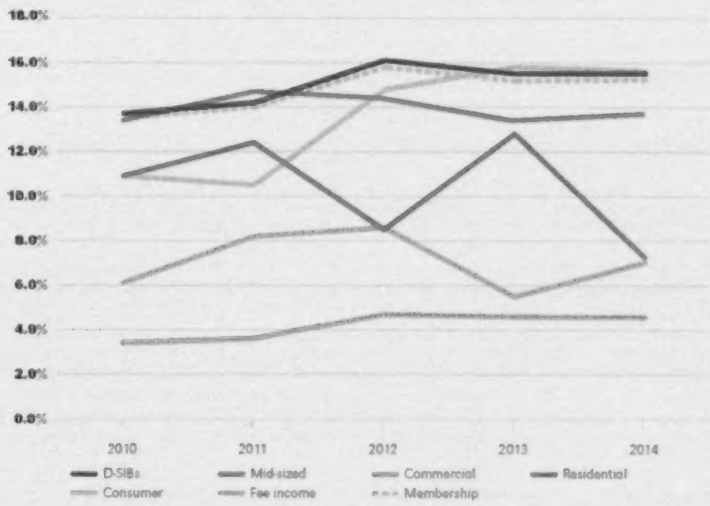
3 Some of this impact is due to the transition to International Financial Reporting Standards (IFRS) which increased institutions' on-balance sheet assets.

Record profits were attributable to higher net interest income and strong growth in non-interest income which outpaced operating and interest expenses. Net interest income increased by 5.2% ($3.3 billion), mainly due to higher income from non-mortgage activities. At the same time, interest expenses fell because of lower costs on debt instruments despite growth in interest expenses on deposits. Non-interest income increased 11.7% ($6.1 billion) as higher contributions from wealth management and credit/debit fee income offset lower revenues from trading and other commissions and fees. Operating expenses increased by 8.6% ($5.9 billion), with approximately half of the increase coming from growth in employee compensation.

Revenue, provisions and profits for CDIC members, 2010–2014 (C$ billions)



Return on average shareholders' equity (ROAE) by peer group, 2010–2014



Year over year, the membership's return on average shareholders' equity (ROAE) decreased by 11 basis points to 15.1% while the return on average assets (ROAA) was virtually unchanged at 87 basis points. The membership's ROAE, while high, remained well below its peak attained in 2006, in large part due to higher capital levels since 2007. The ROAE varies considerably by peer group and individual member due to market conditions in their respective sectors of concentration, varying profitability levels, and degree of leverage utilized.

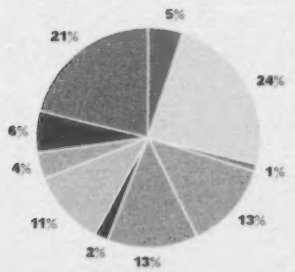
Asset growth and quality

The membership's total asset base grew 8% ($318 billion) to $4.2 trillion since last year, while the asset mix was virtually unchanged compared to 2013.

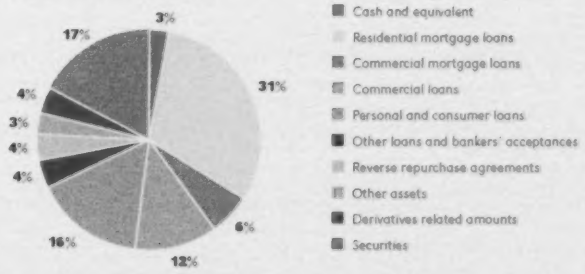
The majority of asset growth was driven by non-mortgage lending, mainly wholesale banking activities (e.g., reverse repurchase transactions, and securities lending) and commercial loans, while mortgage lending, cash and equivalents, and other assets and securities accounted for the remainder. Wholesale banking assets increased by 19% as D-SIBs increased these activities; commercial loans increased by 14%; residential mortgages increased 13% mainly due to increased uninsured mortgage lending; and cash and equivalents increased by 19% as banks increased their sources of liquid assets to meet new regulatory liquidity rules.

Residential mortgages held on the balance sheet of CDIC members totalled over $1 trillion, representing 25% of the membership's on-balance sheet assets. Other large asset classes included securities (21% of total assets, 26% of which were Canadian government securities), personal loans (13%), and commercial loans (13%).

Asset mix—D-SIB peer group* 2014 (C$3.9 trillion)



Asset mix—all other peer groups* 2014 (C$267 billion)



* As at members' fiscal year end

The overall asset quality of the membership continued to improve during 2014. Impaired assets decreased on an absolute basis (falling 4%) and the membership's gross impairment ratio improved by 5 basis points to 0.53% of total loans. Despite the overall improvement, a small number of members had elevated impaired asset ratios even in the absence of the economic conditions that can normally lead to asset quality issues, placing them in a relatively weaker position should economic conditions deteriorate. Further, some members have high concentrations of risky assets (relative to equity) such as construction loans, commercial mortgages, or residential mortgages to weaker borrowers. These asset classes are likely to experience greater than average impairment under stressed economic conditions.

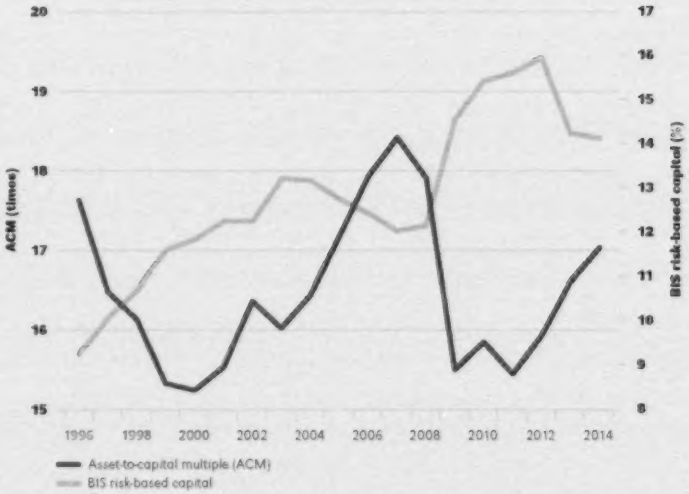
Liquidity levels

Overall, the membership held higher balances of liquid assets in 2014 due to more prudent liquidity requirements while demand deposits remained at just over half of total deposits. At the end of 2014, CDIC members were well-placed to comply with the Liquidity Adequacy Requirements set by the Office of the Superintendent of Financial Institutions (OSFI), which came into effect in January 2015. Notwithstanding regulatory compliance, the high proportion of demand deposits highlights the importance of deposit insurance awareness and strong depositor confidence in order to maintain adequate liquidity.

Capital ratios

Overall, member institutions maintained good capital levels in 2014 and were above Basel III minimum requirements. As at Q4 2014, the membership's average Common Equity Tier 1 Capital Ratio was 10.3% (compared to the OSFI minimum requirement of 7.0%). The average total capital ratio for the membership fell slightly relative to 2013 (from 14.3% to 14.2%), and members' leverage as measured by the asset-to-capital multiple (ACM) increased slightly (from 16.6 times to 17.0 times).

CDIC membership capitalization



Membership risk

Despite a slower growth environment, the membership as a whole performed strongly in fiscal 2014 with record net income, favourable asset quality in terms of impairments, and strong capital ratios. The membership has adapted to Basel III capital requirements and is well-placed to meet Basel III liquidity requirements. Despite the strong performance of the membership, CDIC is closely monitoring a number of risks. These include the combination of high consumer indebtedness and elevated residential real estate prices, sectoral exposures (e.g., oil and gas), and members with concentrations in riskier asset classes.

Performance against Plan

CDIC's corporate strategies

Based on its 2014/2015 to 2018/2019 Corporate Plan, in 2014/2015 CDIC focused its efforts on four strategic objectives:

- Enable timely, convenient and secure access to insured deposits in the event of a member institution failure
- Build preparedness for complex resolutions
- Promote public awareness of CDIC
- Manage CDIC's strategic resources effectively

These strategies support the Corporation's mandate to provide insurance against the loss of part or all deposits and to promote and otherwise contribute to the stability of the financial system in Canada. Following is a summary of the key activities and achievements carried out this year in support of each of these strategies.

- **Enable timely, convenient and secure access to insured deposits in the event of a member institution failure**

CDIC detailed a multi-year payout transformation plan to enhance depositor reimbursement processes to ensure that they continue to meet depositor expectations, respond to advances in banking technology, and accommodate the continued growth and challenges in the banking industry. CDIC has identified a number of alternatives to cheques to reimburse depositors and expects to have a solution in place in time for the planned elimination of cheques from government payments in April 2016.

CDIC also developed processes to increase its capacity to handle a higher volume of complex questions from depositors and others. We are exploring options to modernize our depositor communications technology by introducing a depositor help centre that, in the event of a failure, would provide depositors with secure access to information about their payment.

CDIC stepped up its intervention and resolution planning efforts related to non-D-SIB members in 2014/2015. We completed an intervention plan for a mid-sized institution and, in collaboration with OSFI, reviewed recovery plans from a number of small and mid-sized institutions. This work will continue in the coming year.

Throughout the year, CDIC carried out comprehensive research to support the Government's deposit insurance review process. Results from this and other survey work have been analyzed, incorporated into the interagency policy development process and provided to the CDIC Board.

- **Build preparedness for complex resolutions**

In 2014/2015, CDIC continued to build an internal preparedness framework to handle a large bank failure effectively. Work included development of a valuation methodology to guide CDIC in undertaking a rapid due diligence process to inform decision making in advance of a potential resolution. The methodology will be updated periodically to reflect emerging developments internationally on resolution valuation. CDIC is also working with each D-SIB to consider how CDIC could leverage banks' existing crisis management infrastructure (including communications, treasury operations, governance and resources) to undertake key resolution activities in a timely manner to support continuity of operations and minimize market impacts. We will continue to collaborate with the banks to increase overall preparedness for resolution and ensure that plans and strategies can be implemented.

In late 2014/2015, CDIC held a resolution tabletop simulation exercise to test key elements of its internal preparedness framework. Further internal and external scenario-based exercises are planned in the coming years to test preparedness capabilities and inform future work.

In 2014, the federal government launched a public consultation on a taxpayer protection and bank recapitalization scheme (or "bail-in") for D-SIBs. As the resolution authority for the D-SIBs, CDIC advanced work on the development of credible resolution strategies aligned with the enhanced resolution powers expected to accompany bail-in. The strategies focus on the feasibility of resolving a D-SIB in a way that reflects each institution's unique business model and global operating platform. Over the past year, CDIC also focused on analyzing the core domestic business lines that support systemically important financial services and corresponding banking relationships—information that will inform strategies for operational continuity, should a resolution be required.

CDIC has increased its ability to coordinate resolution activities with domestic and international regulatory authorities. In 2014/2015, the Corporation entered into a Memorandum of Understanding with the Deposit Insurance Corporation of Japan, that country's bank resolution authority and deposit insurer. We have also strengthened relationships with resolution authorities in the United States and the United Kingdom through periodic consultations on cross-border resolution issues relevant to Canadian bank operations in those jurisdictions. In the coming year, CDIC will host Crisis Management Groups, which bring together domestic and international resolution authorities and CDIC's large, complex members, to advance resolution-related issues.

- **Promote public awareness of CDIC**

CDIC's mandate includes contributing to the stability of the Canadian financial system. Promoting awareness of CDIC deposit insurance is integral to this mandate. By informing Canadians about our program and our coverage, we support Canadians to be better equipped to make sound decisions about protecting their savings which, in turn, contributes to their confidence in our financial system.

This past year marked the final year of CDIC's existing three-year public awareness strategy and plan. The strategy maintained a focus on promoting awareness of CDIC, of the $100,000 coverage limit, and of the key financial products that are covered and not covered by CDIC. The strategy targeted the general population, especially those aged 50 years and over—as well as financial advisors, in recognition of their growing role in helping Canadians make financial decisions and their importance to CDIC's ability to reach Canadians.

A cornerstone of CDIC's public awareness efforts continues to be advertising. The 2014/2015 campaign included print and online advertising, and search engine marketing. In response to a growing need to reach Canadians through a variety of traditional and digital channels, CDIC also attended consumer and trade shows, and launched a series of educational videos. As CDIC's stable of communications tools expands, so too does its ability to reach depositors and stakeholders quickly and effectively in the event of a bank failure.

- **Manage CDIC's strategic resources effectively**

In order to allow the Corporation to conduct sensitivity analyses to explore the impact of changing economic conditions more effectively on its members, CDIC established its Emerging Risk function. The nature of this work is collaborative, and thus requires inputs and ongoing discussion with groups across CDIC, as well as other federal safety net agencies.

In 2014/2015, Management launched its multi-year training program designed to ensure that our work force remains well-trained in core areas, including readiness to intervene in a failing member institution, regardless of size. We conducted several training exercises, the most significant of which was an end-to-end payout simulation to test all processes, disciplines, and the readiness of key personnel. We also completed a number of tabletop exercises, group discussions and case studies to support knowledge transfer.

Implementation of CDIC's new information systems (IS) services delivery model has progressed as planned. We have identified necessary improvements to become more effective and efficient in the areas of governance, project management and system development. The project is in its final stages of implementation.

CDIC enhanced internal processes related to financial reporting, budgeting and forecasting to support business functions throughout the Corporation. We made improvements to leverage technology and increase automation of some processes and controls, such as electronic expense reimbursements, and travel and expense claim forms.

During the year, CDIC transferred the custody of its investment portfolio from the private sector to the Bank of Canada. The Bank of Canada now provides banking and custodial services to CDIC, including the settlement of investment transactions and the receipt of coupon payments.

CDIC's Corporate Scorecard–2014/2015 to 2018/2019

The following Scorecard is a summary of CDIC's progress as at March 31, 2015, against the key initiatives and performance outcomes identified in its 2014/2015 to 2018/2019 Corporate Plan. As shown in the Scorecard, most of CDIC's expected outcomes are on track and key initiatives are proceeding as planned, with the following exceptions:

Strategy: Enable timely, convenient and secure access to insured deposits in the event of a member institution failure

- *Refine and begin implementation of CDIC's payout transformation plan*–Project plans are now established for each of the five workstreams. A new workstream was added to unify payout processes, and deliverables and deadlines related to alternate payment channels have been recast.

Strategy: Build preparedness for complex resolutions

- *Enhance cooperation with foreign and domestic stakeholders in resolution*–Resources for this initiative, both internationally and internally, were redirected to support other priorities.
- *Develop an operational framework to enhance CDIC's readiness for a large bank resolution*–CDIC revised its three-year plan to devote additional resources and accelerate delivery on this multi-year initiative.

CDIC's Corporate Scorecard—2014/2015 to 2018/2019

(as at March 31, 2015)

Key corporate initiatives	Status ▲▼●	Update
Corporate strategy: Enable timely, convenient and secure access to insured deposits in the event of a member institution failure	**On track**	***Corporate target:*** *By the end of the planning period, CDIC has the capability to reimburse depositors in a manner (including speed, convenience, security and communication) that, to the extent possible, replicates depositors' existing banking experience.*
Refine and begin implementation of CDIC's payout transformation plan.	▼	Project plans are now established for each of the five workstreams. A new workstream was added to unify payout processes, and deliverables and deadlines related to alternate payment channels have been recast. This initiative is expected to be back on track in fiscal 2015/2016.
Develop and "roll out" resolution planning for mid-sized members.	▲	CDIC increased its intervention and resolution planning efforts in 2014/2015 in relation to additional, non-domestic systemically important bank members. This involved the completion of an intervention plan for a mid-sized institution, as well as reviewing recovery plans from a number of small and mid-sized institutions in collaboration with OSFI. This work will continue over the coming year.
Participate in the review of Canada's deposit insurance program (the deposit insurance review), providing input on CDIC's position.*	▲	CDIC has undertaken research and formulated policy positions, and has analyzed and taken steps to assess the impact of possible changes to Canada's deposit insurance framework. Work is underway to finalize various research papers, based on an extensive data analytics project.
Corporate strategy: Build preparedness for complex resolutions	**Behind schedule**	***Corporate target:*** *During the planning period, CDIC has improved the resolvability of large, complex member institutions by:* • *establishing robust resolution strategies and plans, including resolvability assessments and processes for updating them* • *having in place cooperation agreements with strategic foreign and domestic stakeholders in resolution* • *developing the necessary resources, processes and operational plans to ensure CDIC's internal preparedness*

* Not included within CDIC's 2014/2015 to 2018/2019 Corporate Plan; however, this is a significant initiative announced in the Economic Action Plan 2014 (the federal budget) that has had an impact on CDIC resources.

LEGEND

▲ Planned progress on schedule and within budget

▼ Slippage in terms of time to completion, budget and/or target variances

● Cancelled or deferred

CDIC's Corporate Scorecard—2014/2015 to 2018/2019

(as at March 31, 2015)

Key corporate initiatives	Status ▲▼●	Update
Further develop resolution plans consistent with FSB and international best practices.	▲	CDIC has completed the updating of 2014 resolution plans for each of the domestic systemically important banks (D-SIBs), in accordance with the Financial Stability Board's (FSB's) *Key Attributes*. CDIC's work on the development of a resolvability assessment framework was well-advanced in 2014/2015. Work with the D-SIBs on operational continuity of critical functions is due to be completed by June 2015, in accordance with the workplan and timelines.
Enhance cooperation with foreign and domestic stakeholders in resolution.	▼	Work continues on establishing coordinating protocols with U.K. resolution authorities; however, this initiative has not progressed as planned, as resources at an international level are currently focused on meeting the FSB requirements related to global systemically important financial institutions (G-SIFIs). Internally, resources have been redirected to support policy work aimed at developing the resolution framework, including the bail-in regime. As the policy initiatives solidify, CDIC will redeploy resources to implement its domestic and international outreach plan.
Develop an operational framework to enhance CDIC's readiness for a large bank resolution.	▼	Due to resource constraints, work in this area has not progressed as quickly as planned. CDIC has revised its three-year plan to devote additional resources and accelerate delivery on this multi-year initiative. Preparedness milestones for the prior quarter were mostly met with the completion of a large bank valuation plan and methodology. Additionally, a large bank resolution tabletop exercise was conducted, and we engaged each of the six D-SIBs to conduct their own current and target state readiness assessments. Their evaluations and proposed plans to reach target state readiness will be delivered through April and May 2015.
Corporate strategy: Promote public awareness of CDIC	**On track**	***Corporate target:*** *During the planning period, through its communications activities and advertising, CDIC will endeavour to ensure that at least one in two Canadians is aware of its deposit insurance program, and that one in five is aware of the $100,000 coverage limit.*
Complete implementation of CDIC's current public awareness strategy.	▲	CDIC completed the last year of its three-year public awareness strategy. Total awareness of CDIC was 52% in March 2015, a decline from 58% in March 2014, but still above the 50% target set out in the public awareness strategy.

LEGEND

▲ Planned progress on schedule and within budget

▼ Slippage in terms of time to completion, budget and/or target variances

● Cancelled or deferred

CDIC's Corporate Scorecard—2014/2015 to 2018/2019 (continued)

(as at March 31, 2015)

Key corporate initiatives	Status ▲▼●	Update
Evaluate the effectiveness of CDIC's current public awareness strategy and develop a new strategy.	▲	Upon review, the three-year strategy, which concluded March 31, 2015, was found to be effective overall in meeting CDIC's awareness objectives and formed the basis of the new awareness strategy, which will be launched April 1, 2015.
Corporate strategy: Manage CDIC's strategic resources effectively	**On track**	***Corporate target:*** *Throughout the planning period, CDIC will stay focused on the prudent management of costs, while ensuring that the Corporation continues to have the necessary resources in core and supporting functions to stay abreast of environmental changes and effectively deliver its mandate.*
Expand and refine the approach to monitor changes to CDIC's environment and their potential impacts on the Corporation.	▲	The Emerging Risk group has made progress in staffing, and is proposing an approach to monitor the operating environment. The group has started contributing to the corporate planning process.
Implement a formal work force training program for core functions.	▲	The multi-year training program was created at the end of fiscal 2013/2014 with a focus on knowledge transfer and skills development among employees in core areas. It is currently monitored by the Board's Human Resources and Compensation Committee. The end-to-end payout simulation was conducted in October 2014 and was a key component of this program.
Enhance CDIC's investment management practices.	▲	CDIC finalized the transition of custodial and banking services to the Bank of Canada from the private sector. Systems and processes are operating as expected.
Complete implementation of CDIC's new information systems (IS) services delivery model.	▲	IS continues its efforts to roll out new tools and best practices to improve service management and operations. IS initiatives are now managed using an enhanced governance model that supports the project intake and prioritization process.
Reinforce financial management processes and controls.	▲	Net operating expenses for 2014/2015 were within the approved budget. Over the year, CDIC enhanced internal processes related to financial reporting, budgeting and forecasting to support business functions throughout the Corporation. Improvements were made to leverage technology and automate some processes and controls, such as electronic expense reimbursements, and travel and expense claim forms.

LEGEND

▲ Planned progress on schedule and within budget

▼ Slippage in terms of time to completion, budget and/or target variances

● Cancelled or deferred

Financial overview

This section of CDIC's Management's Discussion and Analysis provides a narrative context in which to interpret the Corporation's financial position, financial performance and cash flows. It should be read in conjunction with CDIC's fiscal 2014/2015 consolidated financial statements and notes.

CDIC's statutory objects are to provide insurance against the loss of part or all of deposits, to promote or otherwise contribute to the stability of the financial system in Canada, and to pursue these objects for the benefit of persons having deposits with member institutions and in such manner as will minimize the exposure of the Corporation to loss. The Corporation's financial position, financial performance and cash flows are influenced by the pursuit of these objects.

Basis of preparation

As a publicly accountable Corporation, CDIC prepares its consolidated financial statements using International Financial Reporting Standards (IFRS) per the requirements of the Canadian Accounting Standards Board.

CDIC's significant accounting policies are described in Note 2 to the consolidated financial statements. There were no new accounting policies adopted, nor were there any changes to existing accounting policies during the year ended March 31, 2015.

The Corporation's consolidated financial statements include the results of Adelaide Capital Corporation (ACC), a structured entity created by CDIC in 1992 to effect the resolution of Central Guaranty Trust Company and Central Guaranty Mortgage Corporation. (Please see Notes 2 and 18 to the Corporation's fiscal 2014/2015 consolidated financial statements for more information.) The impact of the consolidation of ACC is immaterial to the consolidated financial results.

Financial highlights

CDIC earned total comprehensive income of $232 million for the year ended March 31, 2015.

Premium revenue was $279 million for the year, an increase of $87 million (45%) from the previous fiscal year. The increase in premium revenue is the result of an increase in premium rates, changes to the categorization of certain members, and an increase in total insured deposits held at member institutions.

Investment income was $40 million for the year, an increase of $4 million (11%) from fiscal 2013/2014. The increase in income was primarily due to growth in the investment portfolio from the increased premium revenue.

Net operating expenses were $40 million for the year, a year over year increase of $2 million (5%). Increased operating expenses mainly reflect planned costs associated with the development of CDIC's resolution capabilities for D-SIBs.

The Corporation's asset base continued to grow during the year. Total assets were $3,060 million as at March 31, 2015, an increase of 10% over the 2013/2014 fiscal year. The majority of the Corporation's assets are investment securities, which totalled $3,042 million.

The Corporation's provision for insurance losses was $1,250 million as at March 31, 2015, an increase of $50 million compared to last year. The increase is due to a combination of the growth in the level of insured deposits as at April 30, 2014, as compared to April 30, 2013 ($684 billion compared to $665 billion) and a decrease in the discount rate (0.77% at March 31, 2015, compared to 1.71% at March 31, 2014).

The Corporation's *ex ante* funding is a measure of CDIC's ability to fund interventions. The balance stood at $3,050 million, or 45 basis points of insured deposits, as at March 31, 2015, a year over year increase of $281 million, or 3 basis points.

Consolidated statement of financial position

Assets

The total assets of the Corporation increased to $3,060 million as at March 31, 2015, from $2,778 million as at March 31, 2014, representing an increase of 10%. The following table summarizes CDIC's assets:

As at March 31 (C$ thousands)	2015	2014
Cash	1,584	699
Investment securities	3,042,059	2,760,461
Current tax asset	180	1,940
Trade and other receivables	1,521	1,554
Amounts recoverable from estates	2,876	-
Prepayments	198	303
Property, plant and equipment	5,886	6,461
Intangible assets	5,772	6,542
Total assets	**3,060,076**	**2,777,960**

Investment securities

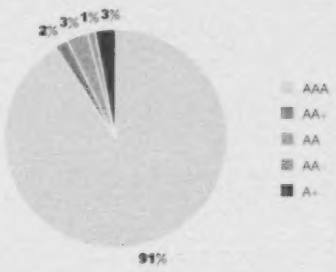
CDIC's $3.0 billion investment portfolio forms the majority of its assets. The Corporation's investment strategy is based on two key principles:

- Limit credit and market risk to preserve capital.
- Use the investment portfolio as a funding source for intervention activity.

These principles require that CDIC maintain a conservatively structured portfolio. CDIC's treasury activity follows the *Financial Risk Management Guidelines for Crown Corporations* issued by the Minister of Finance. CDIC's "Board financial risk policies" further limit risk by setting a maximum amount (and term) that can be invested in each qualifying instrument.

CDIC is restricted under these policies to the obligations of the Government of Canada and agent Crowns and the obligations of provincial governments or municipal financing authorities. Counterparties for investments of less than three years must have a minimum credit rating of A. The Corporation's investment securities with a term of more than three years but less than five years are restricted to securities having a minimum credit rating of AA-. Securities with a term of more than five years are not permitted.

Investment securities credit profile, as at March 31, 2015



During the 2014/2015 fiscal year, the Corporation reviewed its financial risk policies as part of a regular policy review cycle. As a result of the review, the policies were amended to incorporate a ladder style of investing requiring that investments be evenly distributed, within tolerance bands, over five, one-year time rungs. In addition, an "operations portfolio" was established to manage operational cash flow requirements.

The impact of these changes was to extend the duration of the portfolio to 2.2 years compared to 1.4 years last year. As a result, the impact of a lower interest rate environment was somewhat offset. CDIC's investments as at March 31, 2015, carry a weighted average yield to maturity of 1.3% (March 31, 2014: 1.4%).

During the year, the Corporation moved banking and custodial relationships for its investment portfolio to the Bank of Canada from a private sector provider. The move was motivated by a desire to reduce "banker risk" associated with holding large balances at member institutions.

Recoveries

From time to time, CDIC receives recoveries from the estates of failed members. These potential recoveries relate primarily to recoveries of amounts that were previously written off and are not reflected in CDIC's financial statements due to uncertainty with respect to both potential amount and ultimate receipt. Factors contributing to uncertainty include creditor disputes, lawsuits against the estate, and competing claims for specific assets.

During fiscal 2014/2015, CDIC recognized $2.9 million as a receivable as part of its recovery from the estate of Standard Trust Company, a member institution that failed in 1991, and for which all recoverable amounts had been previously written off. Standard Trust Company is in the process of winding down as all outstanding litigation has been resolved. There may be additional immaterial final recoveries received in addition to the amount recognized as a receivable.

Liabilities

The total liabilities of the Corporation increased to $1,259 million as at March 31, 2015, from $1,209 million as at March 31, 2014, an increase of 4%. The following table summarizes the liabilities of the Corporation:

As at March 31 (C$ thousands)	2015	2014
Trade and other payables	4,651	5,177
Deferred lease inducement	1,186	1,299
Employee benefits	2,889	2,486
Provision for insurance losses	1,250,000	1,200,000
Deferred tax liability	723	469
Total liabilities	**1,259,449**	**1,209,431**

Provision for insurance losses

The $1,250 million provision for insurance losses represents CDIC's best estimate of the losses it is likely to incur as a result of insuring deposits at member institutions. The provision increased by $50 million in fiscal 2014/2015; the primary drivers for the increase were the 3% growth in insured deposits as at April 30, 2014, and the 94 basis point decrease in the discount rate used to calculate the present value of the provision.

CDIC's provision for insurance losses is estimated based on a number of inputs, including: the level of insured deposits; the expectation of default derived from probability statistics; CDIC's specific knowledge of its members; and an expected loss given default.

The derivation of default probabilities includes both historical and forward-looking perspectives of potential for failure. Moody's Investors Service and Standard & Poor's default statistics are used to derive a historically-based view of default. Moody's Analytics, a provider of market-based quantitative credit risk products for financial institutions and credit risk investors, is used to provide a forward-looking perspective of the probability of default estimate.

The loss given default estimate is based on the cumulative unweighted average loss sustained by CDIC in member failures since 1987, adjusted for measurement uncertainty as required by IFRS. In 1987, CDIC's legislation was changed to require that it pursue its objects in a manner so as to minimize its exposure to loss. Accordingly, the losses associated with failures since that time are significantly lower than those incurred by CDIC prior to 1987 and are more indicative of the losses the Corporation can expect to incur in the future.

Ex ante funding

Sound funding arrangements are critical to the effectiveness of a deposit insurance system and the maintenance of public confidence. CDIC has developed an *ex ante* funding strategy to cover possible deposit insurance losses. The amount of such funding is represented by the aggregate of the Corporation's retained earnings and its provision for insurance losses. CDIC's funding strategy involves the accumulation of resources during strong economic times to address potential losses during periods of economic stress, avoiding as much as possible significant increases in premium rates during periods of economic stress when CDIC's member institutions are dealing with economic hardship.

As at March 31, 2015, the minimum target level of the Corporation's *ex ante* funding was 100 basis points of insured deposits. The Corporation reviews this target level regularly to ensure it remains appropriate.

CDIC primarily utilizes two methodologies to assess the optimal level of *ex ante* funding. The first of these is referred to as "discretionary analysis." Under this methodology, the Corporation considers the profile of its membership and determines the ability of a specific level of funding to address the hypothetical failure of member institutions.

The second methodology is referred to as "loss estimation." This methodology utilizes statistical techniques to estimate theoretical loss scenarios. Multiple loss scenarios are developed that permit a calibration of funding levels. The inputs to a loss estimation scenario include the level of insured deposits, probability of default statistics and loss given default assumptions.

As part of its regular assessment of sufficiency, the Corporation stress tests model assumptions. The purpose of these stress tests is to evaluate how funding requirements could be impacted by changes in model inputs. The stress tests primarily assess how changes in probability of default and loss given default affect funding requirements.

The actual level of *ex ante* funding at March 31, 2015, was $3,050 million, or 45 basis points of insured deposits. Based on the level of insured deposits at April 30, 2014, the 100 basis point minimum target level would amount to $6,840 million of *ex ante* funding. The Corporation has developed a funding plan that would see *ex ante* funding progress to the minimum funding target in approximately 11 years.

Ex ante funding comprises one component of CDIC's entire funding envelope. The Corporation has the ability to borrow from the Government of Canada or capital markets. The borrowing limit increases with the growth in insured deposits and, as at March 31, 2015, CDIC had the legislative authority to borrow $20 billion, although any borrowings are subject to ministerial approval. Additional borrowings, if required, could be authorized by Parliament through an appropriation act.

The following table sets out the liquid funds available to CDIC as at period end:

As at March 31 (C$ millions)	**2015**	**2014**
Available liquid funds:		
Cash	2	1
Fair value of high quality, liquid investment securities	3,095	2,768
Availability of borrowings:		
Borrowings authorized under the *CDIC Act*, either from market sources or from the Consolidated Revenue Fund	20,000	19,000
Total available funds	**23,097**	**21,769**

Consolidated statement of comprehensive income

CDIC's total comprehensive income for fiscal 2014/2015 totalled $232 million, a decrease from $252 million (8%) in fiscal 2013/2014. The Corporation's financial performance is summarized in the following table:

For the year ended March 31 (C$ thousands)	2015	2014
Revenue		
Premium	279,374	191,727
Investment income	40,378	36,437
Other	50	54
Expenses		
Operating	40,462	38,023
Recovery of amounts previously written off	(2,876)	(11,500)
Increase (decrease) in provision for insurance losses	50,000	(50,000)
Income tax expense (recovery)	76	(389)
Net income	232,140	252,084
Other comprehensive (loss) income	(42)	165
Total comprehensive income	**232,098**	**252,249**

Premium revenue

In the 2014/2015 fiscal year, premium revenue increased by $87 million to $279 million. Increases in the premium rates, changes in the categorization of member institutions and the growth in insured deposits contributed to the increase in premium revenue. Insured deposits increased to $684 billion as at April 30, 2014, from $665 billion as at April 30, 2013, an increase of 3%.

Premium rates are a key determinant of how quickly CDIC's *ex ante* funding progresses to the minimum target of 100 basis points of insured deposits. CDIC has developed a funding plan that contemplates a series of measured increases in premium rates to ensure that the minimum target is achieved in a reasonable period of time.

Premiums are based on the total amount of insured deposits held by members as of April 30th each year, calculated in accordance with the *CDIC Act* and its *Differential Premiums By-law*, which classifies member institutions into one of four premium categories. Classification is based on a mix of quantitative and qualitative factors. The increase in premium rates in 2015, as compared to 2014, is consistent with CDIC's strategy to achieve its minimum target *ex ante* funding level. Premium rates, expressed as basis points of insured deposits, are presented below.

Premium Category *(basis points of insured deposits)*	**2015**	**2014**
Category 1	3.5	2.8
Category 2	7.0	5.6
Category 3	14.0	11.1
Category 4	28.0	22.2

The distribution of members among premium categories is set out in the following table:

	Distribution of member institutions by Premium Category (% of members)				
Premium Category	**2014/2015**	**2013/2014**	**2012/2013**	**2011/2012**	**2010/2011**
1	76	79	76	73	62
2	15	14	17	20	26
3	5	6	5	5	10
4	4	1	2	2	2

Investment income

Investment income was $40 million during the 2014/2015 fiscal year compared to $36 million in the previous year. The increase was primarily due to the growth in the size of the investment portfolio partially offset by the impact of the lower interest rate environment. The weighted average yield on CDIC's investment portfolio decreased from 1.4% as at March 31, 2014, to 1.3% as at March 31, 2015.

Operating expenses

Operating expenses increased to $40 million in fiscal 2014/2015 from $38 million in fiscal 2013/2014.

Increased operating expenses are consistent with CDIC's Corporate Plan and mainly reflect the costs associated with CDIC's continuing efforts to develop its resolution capabilities for D-SIBs.

Profile of operating expenses for fiscal 2014/2015

Consolidated statement of cash flows

CDIC's cash flows are summarized in the following table:

For the year ended March 31 (C$ thousands)	2015	2014 (restated)
Increase in cash from operating activities	299,371	213,684
Decrease in cash from investing activities	(298,486)	(213,407)
Net increase in cash balance	885	277
Cash, end of year	**1,584**	**699**

In fiscal 2014/2015, CDIC generated $885 thousand in cash from its investing and operating activities. Included in the current year cash flows was $1 million used to purchase/develop capital assets, $297 million contributed to the investment portfolio, and various other fluctuations in working capital.

Comparison with 2014/2015 Corporate Plan

The following discussion compares the Corporation's actual financial results for fiscal 2014/2015 with the Corporate Plan for the same year.

Consolidated statement of financial position

Total assets as at March 31, 2015, were $3,060 million, a $37 million variance from the planned amount of $3,023 million, attributable to the growth in the investment portfolio due to the increased premium revenue.

Total liabilities as at March 31, 2015, were $1,259 million, compared to the planned amount of $1,208 million. The variance was due to the unplanned $50 million increase in the provision for insurance losses. The Corporate Plan assumed no change in the provision for insurance losses during the 2014/2015 fiscal year. During the year, the Corporation recognized an increase in the provision for insurance losses of $50 million, due primarily to the growth in insured deposits and a decrease in discount rate.

Consolidated statement of comprehensive income

Total revenue during the year was $320 million, or $33 million above Plan of $287 million. The primary sources of revenue were premiums and investment income.

- *Premiums:* Actual premium revenue was $279 million, compared to the planned amount of $250 million. The Corporate Plan was based on certain assumptions regarding the classification of members under the Differential Premiums system as well as the growth in insured deposits. Actual results have differed from the assumptions, resulting in the variance between the planned and actual amounts.
- *Investment income:* Actual investment income was $40 million, compared to the planned amount of $37 million. The variance was primarily attributable to a larger than planned investment portfolio due to the increase in premium revenues.

Net operating expenses for the year were $40 million, or $2 million below Plan of $42 million. The variance was primarily due to lower personnel costs as a result of a slower pace of hiring than planned for positions related to complex resolutions, as well as lower than planned expenses for professional fees and other expenses, such as travel and printing.

Total comprehensive income for the year ended March 31, 2015, was $232 million compared to planned total comprehensive income of $246 million, a variance of $14 million. This variance was primarily attributable to the $33 million variance in revenue offset by the unplanned increase in the provision for insurance losses of $50 million.

A look ahead to 2015/2016

As set out in the Corporation's 2015/2016 to 2019/2020 Corporate Plan, CDIC's work will be guided by three strategic objectives for the planning period:

- Modernize CDIC's deposit insurance program
- Build preparedness to resolve domestic systemically important banks
- Foster an environment of innovation and excellence

• Modernize CDIC's deposit insurance program

Key 2015/2016 initiatives

- Roll out a payout transformation plan focusing on payment channels and methods, and communications with depositors.
- Review and update risk assessment processes, including enhancements to data collection and analysis.
- Actively participate in the deposit insurance review by providing input on CDIC's position and expert research, and implementing any required changes to our program.
- Develop intervention plans for selected members, leveraging D-SIB resolution planning processes and preparedness.
- Implement our new three-year public awareness strategy, which focuses on cost-effective activities, and which targets the general population (especially those aged 50 and over) and financial advisors.

CDIC will enhance its deposit insurance program over the planning period in response to advances in technology, changes in depositor expectations, and results of the deposit insurance review. We will continue to roll out our multi-year payout transformation plan to enhance depositor reimbursement processes and respond to advances in technology. We will also continue to review and update our risk assessment processes, which include enhancing risk assessment tools used to gather and report regulatory, financial, and market data for each of our members.

In support of the federal government's deposit insurance review, CDIC will undertake research, formulate policy positions, and complete impact assessments in various areas of our deposit insurance program. Building on extensive work on resolution planning for CDIC's largest member institutions, we will expand intervention and resolution planning for specific mid-sized member institutions, in collaboration with these banks and with OSFI.

CDIC will also launch its new public awareness strategy, with a focus on financial advisors who specialize in deposit products, and on the general population, especially those aged 50 and over. Among other initiatives, we will communicate the Corporation's new role in large bank resolution, and review the *Deposit Insurance Information By-law* to identify potential new ways for member institutions to inform their clients about deposit insurance.

- **Build preparedness to resolve domestic systemically important banks**

Key 2015/2016 initiatives

- Advance the resolvability of D-SIBs by working closely with banks on the development of credible resolution plans and the assessment of various structural and operational simplification options.
- Continue to work with other federal safety net agencies to enhance Canada's resolution framework.
- Augment resources to strengthen internal D-SIB resolution preparedness and accelerate resolution planning. This added capacity could be leveraged in other resolution scenarios.
- Further develop our operational playbook, detailing roles, responsibilities and key decisions in a D-SIB resolution, and validate through internal and external simulation/testing exercises.
- Establish and implement an outreach program to engage with key domestic and international resolution authorities, regulators, protection schemes, and financial market infrastructure organizations, and put in place bilateral agreements to encourage information sharing and coordination.

Given the role of CDIC's largest member institutions in providing financial services critical to Canadians and to the broader economy, CDIC will continue its focus on enhancing its capacity to resolve the failure of these large, complex members in an orderly fashion that preserves confidence in the financial system.

CDIC will continue to work closely with Canada's D-SIBs to enhance their resolvability. The 2015 federal budget announced that the Government will ask Canada's D-SIBs to be responsible for preparing resolution plans that set out how each bank could be resolved in the unlikely event that recovery actions fail. Going forward, we will: provide guidance to each D-SIB on this initiative to ensure resolution plans reflect structural and operational changes at each of the D-SIBs; examine bank structural and operational gaps to resolution and identify appropriate mitigants, building on research begun in 2014/2015; and share these results with the banks. We are currently conducting a pilot assessment with one D-SIB that will be rolled out to the remaining D-SIBs in 2015/2016. We will add resources to our Complex Resolution Division to accelerate work in this area, where much remains to be done. Among plans for 2015/2016, CDIC will update its D-SIB resolution playbook and, at least annually, test its readiness through a simulation or tabletop exercise.

In the increasingly complex global and domestic financial environment, CDIC will continue to collaborate with resolution authorities both at home and internationally. Work will include ongoing development of coordination protocols to strengthen our cooperative relationships with resolution authorities in regions where Canadian financial institutions have a significant presence, notably the United States and the United Kingdom, and other jurisdictions, such as Mexico and the Caribbean. CDIC will host Crisis Management Groups (bringing together domestic and international authorities in resolution, and our D-SIBs) to develop coordinating protocols with provincial securities regulators and applicable financial services protection schemes.

- **Foster an environment of innovation and excellence**

Key 2015/2016 initiatives

- Implement our new three-year talent management strategy focused on succession planning, empowering business leaders, and on attracting, developing and retaining a well-trained and engaged work force.
- Continue to develop CDIC's Emerging Risk function, creating a stronger link with our Enterprise Risk Management function.
- Strengthen all aspects of CDIC's information management program.
- Implement our information systems strategic plan which focuses on ensuring efficiency of service delivery, updating intervention systems, and strengthening security.

CDIC continues to experience demographic shifts in its work force, including expected retirements within senior roles. As we focus on challenges related to payout transformation and D-SIB resolution, we will build upon existing human resources, tools and programs to support the development of future business leaders, increase staff engagement and advance knowledge transfer.

The Corporation has a distinct function that identifies thematic and/or emerging threats with the potential to affect the viability of members or pose broader systemic risks. This new function will work collaboratively with our well-established Enterprise Risk Management (ERM) function to identify risks and their possible outcomes and impacts on the Corporation and our members.

In support of its five-year information management strategic plan (developed in 2013/2014), CDIC will focus in the coming year on continuing to ensure legislative compliance with respect to the handling of corporate records through the use of improved automated tools and increased information management awareness at CDIC.

2015/2016 to 2019/2020 financial plan

The projections included in CDIC's 2015/2016 to 2019/2020 Corporate Plan are based on a number of assumptions and, accordingly, actual results may vary materially from the figures included in the Plan. Key financial assumptions include the following:

- A 3.5% growth in insured deposits year over year.
- The premium rate for Category 1 member institutions (the base premium rate) will increase by one basis point in 2015/2016, and by one basis point per year for three years thereafter.
- Investment income is based on an assumed average yield on cash and investments of 1.3% for fiscal 2015/2016, rising gradually to a yield of 1.5% in 2019/2020.
- No member institution failure is assumed during the planning period.
- The provision for insurance losses is forecast to increase by $50 million annually based on the assumed growth in insured deposits.

2015/2016 fiscal year

Total comprehensive income is forecast at $320 million for the 2015/2016 fiscal year.

Total revenues are planned to be $413 million in the 2015/2016 fiscal year, including $371 million of premium revenue and $42 million of investment income.

Planned **premium revenue** of $371 million is $92 million higher than fiscal 2014/2015 premium revenue of $279 million. The increase is the result of higher premium rates and an expected increase in insured deposits.

Expected **investment income** of $42 million is $2 million higher than in fiscal 2014/2015, reflecting the projected growth in the investment portfolio coupled with a continued low interest rate environment.

Net operating expenses are planned to be $44 million in fiscal 2015/2016, compared to $40 million actual operating expenses in fiscal 2014/2015. This increase is primarily aimed at furthering our preparedness and resolution capabilities for our D-SIBs, and ensuring that we are well-positioned for the future with succession candidates in place for key senior roles.

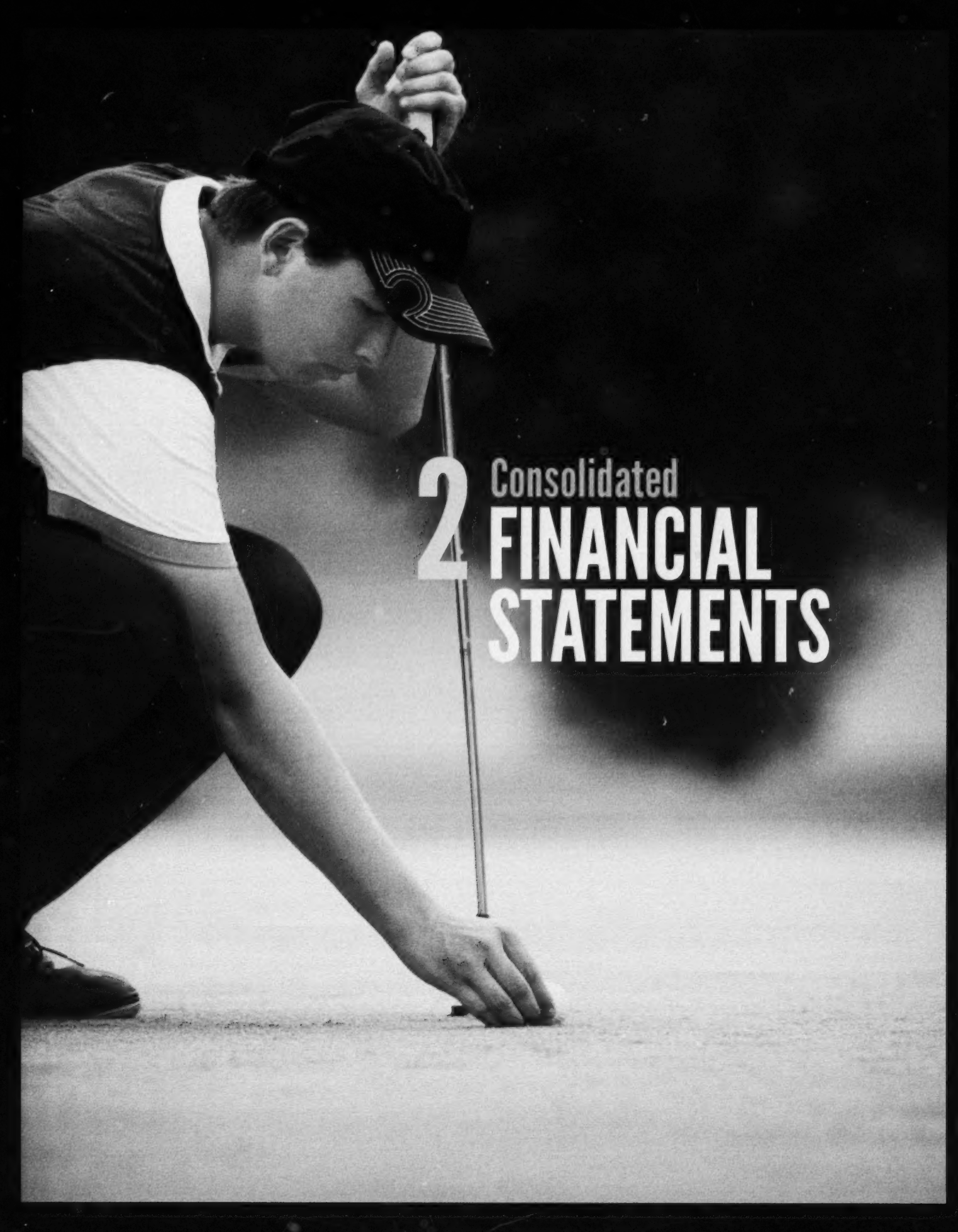
Cash and investments are projected to be $3.4 billion at the end of the 2015/2016 fiscal year.

The **provision for insurance losses** is forecast to increase to $1.3 billion at the end of the 2015/2016 fiscal year due to the assumed growth in insured deposits and an assumed stable economic environment.

The level of ***ex ante* funding** is forecast to be $3.4 billion at the end of the 2015/2016 fiscal year, representing 48 basis points of forecast insured deposits, an increase of 3 basis points from March 31, 2015.

(C$ millions)	2015/2016 Corporate Plan[a]	2014/2015 Actual results	2014/2015 Corporate Plan[a]
Consolidated statement of financial position *(as at March 31)*			
Cash and investment securities	3,416	3,044	3,007
Capital assets	10	12	13
Other assets	5	4	3
Total assets	**3,431**	**3,060**	**3,023**
Trade and other payables	7	5	5
Provision for insurance losses	1,300	1,250	1,200
Other liabilities	3	4	3
Retained earnings	2,121	1,801	1,815
Total liabilities and equity	**3,431**	**3,060**	**3,023**
Consolidated statement of comprehensive income *(for the year ended March 31)*			
Revenue			
Premiums	371	279	250
Investment income	42	40	37
	413	319	287
Expenses			
Operating	44	40	42
Recovery of amounts previously written off	-	(3)	-
Increase in provision for insurance losses	50	50	-
	94	87	42
Net income before income tax	319	232	245
Income tax recovery	1	-	1
Total comprehensive income	**320**	**232**	**246**

a The Corporate Plans 2014/2015 to 2018/2019 and 2015/2016 to 2019/2020 were developed based on information as at December 31, 2013, and December 31, 2014, respectively.



2 Consolidated FINANCIAL STATEMENTS

Consolidated FINANCIAL STATEMENTS

Management responsibility for consolidated financial statements

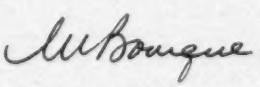
June 10, 2015

The accompanying consolidated financial statements of the Canada Deposit Insurance Corporation and the information related to the consolidated financial statements in this *Annual Report* are the responsibility of Management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. The consolidated financial statements include some amounts, the most significant one being the provision for insurance losses, which are necessarily based on Management's best estimates and judgment.

The consolidated financial statements have been approved by the Board of Directors. Financial information presented elsewhere in this *Annual Report* is consistent with that contained in the consolidated financial statements.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, Management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are duly authorized, assets are safeguarded and proper records are maintained in accordance with the *Financial Administration Act* and regulations, as well as the *Canada Deposit Insurance Corporation Act* and by-laws of the Corporation. Internal audits examine and evaluate the application of the Corporation's policies and procedures and the adequacy of the system of internal controls. In addition, the internal and external auditors have free access to the Audit Committee of the Board of Directors, which oversees Management's responsibilities for maintaining adequate control systems and the quality of financial reporting and which recommends the consolidated financial statements to the Board of Directors.

These consolidated financial statements have been audited by the Corporation's auditor, the Auditor General of Canada, and his report is included herein.



Michèle Bourque
President and Chief Executive Officer

Dean A. Cosman
Vice-President, Finance and Administration, and Chief Financial Officer

Independent auditor's report

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Finance

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Canada Deposit Insurance Corporation, which comprise the consolidated statement of financial position as at 31 March 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canada Deposit Insurance Corporation as at 31 March 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of Canada Deposit Insurance Corporation that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Deposit Insurance Corporation Act* and the by-laws of the Canada Deposit Insurance Corporation.

Margaret Haire, CPA, CA
Principal
for the Auditor General of Canada

10 June 2015
Ottawa, Canada

[redacted]

Consolidated financial statements and notes

Canada Deposit Insurance Corporation

Consolidated statement of financial position

As at March 31 (audited) (C$ thousands)

	Notes	2015	2014
ASSETS			
Cash		1,584	699
Investment securities	*5*	3,042,059	2,760,461
Current tax asset	*14*	180	1,940
Trade and other receivables	*6*	1,521	1,554
Amounts recoverable from estates	*7*	2,876	-
Prepayments		198	303
Property, plant and equipment	*8*	5,886	6,461
Intangible assets	*9*	5,772	6,542
TOTAL ASSETS		**3,060,076**	**2,777,960**
LIABILITIES			
Trade and other payables		4,651	5,177
Deferred lease inducement	*10*	1,186	1,299
Employee benefits	*20*	2,889	2,486
Provision for insurance losses	*11*	1,250,000	1,200,000
Deferred tax liability	*14*	723	469
Total liabilities		**1,259,449**	**1,209,431**
EQUITY			
Retained earnings		1,800,627	1,568,529
TOTAL LIABILITIES AND EQUITY		**3,060,076**	**2,777,960**

Contingencies and commitments (Note 19)

The accompanying notes form an integral part of these consolidated financial statements.

Approved by the Board on June 10, 2015

Director

Director

Canada Deposit Insurance Corporation

Consolidated statement of comprehensive income

For the year ended March 31 (audited) (C$ thousands)

	Notes	2015	2014
REVENUE			
Premium	*15*	279,374	191,727
Investment income	*5*	40,378	36,437
Other		50	54
		319,802	228,218
EXPENSES			
Operating	*16*	40,462	38,023
Recovery of amounts previously written off	*7*	(2,876)	(11,500)
Increase (decrease) in provision for insurance losses	*11*	50,000	(50,000)
		87,586	(23,477)
Net income before income taxes		232,216	251,695
Income tax expense (recovery)	*14*	76	(389)
NET INCOME		**232,140**	**252,084**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to net income			
Actuarial (loss) gain on defined benefit obligations	*20*	(56)	220
Income tax effect		14	(55)
Other comprehensive (loss) income, net of tax		(42)	165
TOTAL COMPREHENSIVE INCOME		**232,098**	**252,249**

The accompanying notes form an integral part of these consolidated financial statements.

Canada Deposit Insurance Corporation

Consolidated statement of changes in equity

For the year ended March 31 (audited) (C$ thousands)

	Retained earnings and total equity
Balance, March 31, 2013	**1,316,280**
Net income	252,084
Other comprehensive income	165
Total comprehensive income	252,249
Balance, March 31, 2014	**1,568,529**
Net income	232,140
Other comprehensive loss	(42)
Total comprehensive income	232,098
Balance, March 31, 2015	**1,800,627**

The accompanying notes form an integral part of these consolidated financial statements.

Canada Deposit Insurance Corporation

Consolidated statement of cash flows

For the year ended March 31 (audited) (C$ thousands)

	2015	2014 (restated) Note 4
OPERATING ACTIVITIES		
Net income	232,140	252,084
Adjustments for:		
Depreciation and amortization	2,375	1,971
Investment income	(40,378)	(36,437)
Income tax expense (recovery)	76	(389)
Employee benefit expense	422	911
Employee benefit payment	(75)	(64)
Change in working capital:		
Decrease (increase) in prepayments	105	(59)
Decrease (increase) in trade and other receivables	33	(9)
Increase in amounts recoverable from estates	(2,876)	-
Decrease in trade and other payables	(526)	(400)
Decrease in deferred lease inducement	(113)	(113)
Increase (decrease) in provision for insurance losses	50,000	(50,000)
Investment income received	56,236	45,917
Income tax recovered	1,952	1,295
Income tax paid	-	(1,023)
Net cash generated by operating activities	299,371	213,684
INVESTING ACTIVITIES		
Purchase of property, plant and equipment, and intangible assets	(1,030)	(3,948)
Purchase of investment securities	(4,785,218)	(5,694,910)
Proceeds from sale or maturity of investment securities	4,487,762	5,485,451
Net cash used in investing activities	(298,486)	(213,407)
Net increase in cash	885	277
Cash, beginning of year	699	422
Cash, end of year	**1,584**	**699**

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

March 31, 2015

1 - General information

The Canada Deposit Insurance Corporation (CDIC or the Corporation) was established in 1967 by the *Canada Deposit Insurance Corporation Act* (the *CDIC Act*). It is a Crown corporation without share capital named in Part I of Schedule III to the *Financial Administration Act* and is funded by premiums assessed against its member institutions. The Corporation is subject to federal income tax pursuant to the provisions of the *Income Tax Act*. The address of the registered office is 50 O'Connor Street, 17th Floor in Ottawa, Ontario.

The objects of the Corporation are to provide insurance against the loss of part or all of deposits in member institutions and to promote and otherwise contribute to the stability of the financial system in Canada. These objects are to be pursued for the benefit of depositors of member institutions and in such manner as will minimize the exposure of the Corporation to loss.

The Corporation has the power to do all things necessary or incidental to the furtherance of its objects, including acquiring assets from and providing guarantees or loans to member institutions and others. Among other things, it may make or cause to be made inspections of member institutions, act as liquidator, receiver or inspector of a member institution or a subsidiary thereof, and establish a bridge institution.

The Corporation is an agent of Her Majesty in right of Canada for all purposes of the *CDIC Act*. As a result, all obligations incurred by the Corporation in the course of carrying out its mandate are obligations of Canada.

These consolidated financial statements were approved and authorized for issue by the Corporation's Board of Directors on June 10, 2015.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and are presented in Canadian dollars (C$).

The consolidated financial statements have been prepared on the historical cost basis, except for the provision for insurance losses, and certain employee benefits (see Note 20), which are measured at their present value. Historical cost is generally based on the fair value of the consideration given in exchange for assets and the amount of cash expected to be paid to satisfy a liability.

The accounting policies set out in Note 2 were consistently applied to all the periods presented unless otherwise noted below.

2 – Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the financial statements of Adelaide Capital Corporation (ACC), a structured entity controlled by the Corporation.

The results of ACC are included in the consolidated statement of comprehensive income until the date control ceases or the company is dissolved. All transactions, balances, income and expenses between CDIC and ACC are eliminated in full on consolidation.

The overall impact of consolidation is not significant.

These consolidated financial statements do not reflect the assets, liabilities or operations of failed member institutions in which the Corporation has intervened but does not have control.

Judgments

The preparation of consolidated financial statements in accordance with IFRS requires Management to exercise judgment in applying the Corporation's accounting policies. The following are the significant judgments made in the process of applying the Corporation's accounting policies.

Consolidation

Management has determined, based on an analysis of the facts and circumstances, that the Corporation controls ACC and the consolidated financial statements of CDIC should incorporate the financial statements of ACC. Control is achieved where the Corporation is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Although CDIC does not own any of the share capital of ACC, it is the sole creditor of ACC, having provided a loan to ACC in 1992, a portion of which remains outstanding. The facts and circumstances that Management considered in arriving at the conclusion that CDIC controls ACC are as follows:

- The loan exposes CDIC to variable returns from its involvement with ACC.
- A CDIC employee is the sole member of the Board of Directors of ACC, giving CDIC the power to make decisions about ACC's operations to affect the returns that CDIC ultimately receives from its loan to ACC.
- The terms of the loan restrict the activities of ACC and stipulate that ACC cannot alter the composition of the Board of Directors, giving CDIC power over ACC's key activities.

Financial instruments

The Corporation holds a significant amount of investment securities. Management has determined, based on an analysis of the facts and circumstances, that: (i) the investment securities are held in order to collect contractual cash flows; and (ii) the contractual terms of the investment securities give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Therefore, the Corporation measures the investment securities at amortized cost. See "Financial instruments" below for further details.

Estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires the use of estimates and assumptions. Estimates and assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates or assumptions are revised and any future periods affected.

Provision for insurance losses

Estimating CDIC's provision for insurance losses involves significant estimation uncertainty and requires Management to make significant assumptions.

The provision for insurance losses represents CDIC's best estimate of the losses it is likely to incur as a result of insuring deposits of member institutions. The provision is estimated by assessing the aggregate risk of the Corporation's members based on: (i) the level of insured deposits; (ii) the expectation of default derived from probability statistics and the Corporation's specific knowledge of its members; and (iii) an expected loss given default. See "Provisions for insurance losses" below for further details on how the provision is measured.

Actual results in the near term could differ significantly from these estimates, including the timing and extent of losses the Corporation incurs as a result of future failures of member institutions. This could require a material adjustment to the carrying amount of the provision for insurance losses. In the event that actual results vary from the current estimates, the Corporation can recommend that the annual premium rates charged to member institutions be increased or decreased, depending on the situation.

Capital assets

Capital assets, comprising property, plant and equipment, and intangible assets with finite useful lives, are depreciated or amortized over their useful lives. Useful lives are measured using Management's best estimate of the period of service provided by the assets. Any changes to the useful life estimates would affect the future carrying value of the assets and the future depreciation or amortization. The carrying amounts of the Corporation's capital assets are included in Notes 8 and 9.

Employee benefits liabilities

The carrying value of employee benefits liabilities to be settled in the future depends on numerous factors that are determined on an actuarial basis using several assumptions, including, but not limited to, discount rates, long-term rates of compensation increase, retirement age and mortality rates. The Corporation consults with an external actuary regarding these assumptions annually. Any changes to these assumptions will impact the present value of these liabilities. The carrying values of employee benefits liabilities are disclosed in Note 20.

Financial instruments

The Corporation early adopted IFRS 9 *Financial Instruments*, issued by the International Accounting Standards Board (IASB) in November 2009 (IFRS 9 (2009)).

Recognition and initial measurement

All financial assets and financial liabilities are recognized initially at fair value plus directly attributable transaction costs.

Purchases of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date, that is, the date the asset is delivered to or by CDIC.

Classification

A) Financial assets

Subsequent to initial recognition, a financial asset is measured at amortized cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, it is subsequently measured at fair value. All the Corporation's financial assets are subsequently measured at amortized cost.

B) Financial liabilities

Subsequent to initial recognition, all the Corporation's financial liabilities are measured at amortized cost.

Amortized cost measurement

Amortized cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method or any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurements are categorized within a fair value hierarchy:

- *Level 1:* fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* fair values are determined using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- *Level 3:* fair values are determined using inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For financial assets and financial liabilities that are recognized at fair value on a recurring basis, the Corporation determines whether transfers have occurred between the levels in the hierarchy by re-assessing categorization at the end of each reporting period.

Identification and measurement of impairment

Financial assets, other than those measured at fair value, are assessed for indications of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is

objective evidence that, as a result of one of more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the debtor; or
- Breach of contract, such as a default or delinquency in payment; or
- Probability that the debtor will enter bankruptcy or financial re-organization; or
- Significant decrease in creditworthiness of the debtor.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit and loss, to the extent that the carrying amount of the asset at the date of the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Cash

Cash includes cash on hand and demand deposits. Cash is measured at amortized cost on the consolidated statement of financial position.

Investment securities

Investment securities are debt instruments, such as Treasury bills and Government of Canada bonds, held by the Corporation. Investment securities are measured on the consolidated statement of financial position at amortized cost, plus accrued interest.

Interest income on investment securities is recognized using the effective interest method.

Trade and other receivables

Trade and other receivables are measured at amortized cost less any impairment losses.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives, residual values and depreciation methods are reviewed annually at the end of each year, with the effect of any changes in estimate being accounted for on a prospective basis. The following useful lives are used in the calculation of depreciation:

- Leasehold improvements–shorter of the term of the lease and the useful life of the leasehold improvement
- Furniture and equipment–five years
- Computer hardware–three years

Depreciation expense is included in operating expenses on the consolidated statement of comprehensive income. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognized in operating expenses.

Items of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in operating expenses.

Intangible assets

The Corporation records an internally generated intangible asset arising from the development of software once a project has progressed beyond a conceptual, preliminary stage to that of application development. Development costs that are directly attributable to the design and testing of an application are capitalized if all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use
- The intention to complete the intangible asset and use it
- The ability to use the intangible asset
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use the intangible asset
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognized for internally generated intangible assets is the sum of directly attributable costs incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally generated intangible assets are measured at cost less accumulated amortization and any impairment losses, and are amortized on a straight-line basis over their estimated useful lives which range from three to seven years. The estimated useful lives, residual values and depreciation methods are reviewed annually at the end of each year, with the effect of any changes in estimate being accounted for on a prospective basis. Amortization of intangible assets is included in operating expenses.

The Corporation considers potential indicators of impairment at the end of each reporting period. If any indication of impairment exists, the recoverable amount of the asset is estimated to determine the extent of the loss. Intangible assets that are not yet available for use are tested for impairment annually, irrespective of the presence of indicators, by comparing carrying amounts to recoverable amounts. Impairment losses are included in operating expenses.

Trade and other payables

Trade and other payables are measured at amortized cost on the consolidated statement of financial position. The carrying amounts of trade and other payables approximate fair value due to their short term to maturity.

Provisions for insurance losses

Provisions are to be recognized when the Corporation has a present obligation as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The Corporation has a stand-ready obligation to provide insurance against the loss of part, or all, of deposits in a member institution in the event of failure. The provision for insurance losses represents the Corporation's best estimate of the consideration required to settle this obligation and is determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The estimate takes into account the risks and uncertainties surrounding the obligation. The provision is estimated by assessing the aggregate risk of the Corporation's member institutions based on: (i) the level of insured deposits; (ii) the expectation of default derived from probability statistics and the Corporation's specific knowledge of its members; and (iii) an expected loss given default.

The Corporation calculates its expected losses as a result of member institution failures on a present value basis. The loss given default is expressed as a percentage of insured deposits and reflects the cumulative unweighted average of losses sustained since the *CDIC Act* was amended in 1987 to require that CDIC pursue its objects in a manner so as to minimize its exposure to loss, plus an adjustment for measurement uncertainty. The present value of the provision is determined using a pre-tax, risk-free discount rate.

Changes to the provision for insurance losses are recognized as an adjustment to the provision for insurance losses in the consolidated statement of comprehensive income.

Premium revenue

Premium revenue is recognized at the fair value of the consideration received and reported as income proportionately over the fiscal year. Premiums are determined annually based on the amount of insured deposits held by member institutions as at April 30 of the current fiscal year, and are payable in two equal installments on July 15 and December 15.

Premium rates are fixed annually considering the Corporation's financial condition, the economic environment, the risk profile of the membership, and the actual and projected size of the Corporation's *ex ante* funding relative to the minimum target level.

Other revenue

Other revenue includes payments received for services provided to other unrelated organizations, sub-lease income, certain interest income, and foreign exchange gains and losses.

Leases

Leases are classified as finance leases and recognized on the consolidated statement of financial position when the terms of the lease transfer substantially all risks and rewards of ownership to the lessee. All other leases are treated as operating leases.

All of the Corporation's leases are treated as operating leases.

Rentals payable under operating leases are charged to operating expenses on a straight-line basis over the term of the lease. In the event that lease incentives are received, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of operating expenses on a straight-line basis over the term of the lease. Rental income from operating sub-leases is recognized on a straight-line basis over the term of the lease.

Public Service Pension Plan

All eligible employees of the Corporation participate in the Public Service Pension Plan, a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Corporation to cover current service cost. Pursuant to legislation currently in place, the Corporation has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Pension Plan. Consequently, contributions are recognized as an operating expense in the year when employees have rendered service and represent the total pension obligation of the Corporation.

Employee benefits

The Corporation sponsors defined benefit plans in the form of resignation benefits, retirement benefits and death benefits; and other long-term employee benefits in the form of accumulating, non-vesting sick leave benefits.

The cost of all such benefits earned by employees is actuarially determined using the projected unit credit method. The determination of the benefit expense requires the use of assumptions such as the discount rate to measure obligations, expected resignation rates and the expected rate of future compensation. The discount rate used is determined by reference to high quality corporate bonds that have terms to maturity approximating the terms of the related benefits liability. The expected rate of future compensation represents a long-term assumption and includes components for inflation, merit and promotion adjustments. Actual results may differ from estimates based on assumptions.

For all such benefits, the liability recognized in the statement of financial position is the present value of the obligation at the end of the reporting period.

With respect to the defined benefit plans, all actuarial gains and losses that arise in calculating the present value of the defined benefit obligation are recognized immediately in retained earnings as other comprehensive income. Past service costs are recognized as an expense at the earlier of: (i) the date the plan amendment or curtailment occurs; and (ii) the date the Corporation recognizes related restructuring costs or termination benefits.

With respect to the other long-term employee benefits, all costs, including all actuarial gains and losses, are recognized immediately in operating expenses.

Income taxes

Income tax expense represents the sum of the current and deferred tax expenses.

Current tax is recognized in net income except to the extent it relates to items recognized in other comprehensive income or directly in equity. The tax currently payable/receivable is based on taxable income for the year. Taxable income differs from income as reported in the consolidated statement of comprehensive income because of items of income and expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. Deferred tax is calculated using tax rates and income tax laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax relating to actuarial gains and losses on defined benefit obligations is recognized directly in retained earnings as other comprehensive income.

3 – Application of new revised IFRS

New and revised IFRS affecting the amounts reported and/or disclosed in the consolidated financial statements

In the current year, there has been no impact to the Corporation due to new and revised IFRS issued by the IASB that are mandatorily effective.

New and revised IFRS issued

At the date of these consolidated financial statements, certain standards, interpretations and amendments to existing standards were issued by the IASB but are not yet effective. Unless otherwise noted, the Corporation does not plan to early adopt any of the changes.

The Corporation is evaluating the potential impact of the following new and revised IFRS amendments on its consolidated financial statements.

IFRS 9 Financial Instruments (IFRS 9): In November 2009, the IASB issued IFRS 9 (2009), introducing new requirements for classifying and measuring financial assets. This was the IASB's first step in its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. In October 2010, the IASB issued IFRS 9 (2010), incorporating new requirements for accounting for financial liabilities, and carrying over from IAS 39 the requirements for de-recognition of financial assets and financial liabilities. In November 2013, the IASB issued IFRS 9 (2013), which incorporates a new hedge accounting model and permits entities to modify the accounting for debt designated at fair value through profit or loss. IFRS 9 (2013) removed the mandatory effective date of all versions of IFRS 9. In July 2014, the finalized version of IFRS 9 was issued, superseding all previous versions, but the previously issued standards remain available for application if the relevant date of initial application is before February 1, 2015. The revised standard is effective for annual periods beginning on or after January 1, 2018. The retrospective application of the revised standard is required, but the comparative information is not compulsory. As at April 1, 2010, the Corporation early adopted IFRS 9 (2009).

IFRS 15 Revenue from Contracts with Customers (IFRS 15): In May 2014, IFRS 15 was issued. It specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. The standard has an effective date of January 1, 2017, with early application permitted. This new standard will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required.

Annual Improvements 2010–2012 cycle: In December 2013, the IASB issued its Annual Improvements 2010–2012 cycle, resulting in minor amendments to seven different standards, including IFRS 13 *Fair Value Measurement*, IAS 16 *Property, Plant and Equipment*, and IAS 24 *Related Party Disclosures*. The remaining four standards are not applicable to the Corporation. The amendments are generally intended to clarify requirements rather than result in substantive changes to current practice. The amendments are effective for annual periods beginning on or after July 1, 2014, with early application permitted.

Annual Improvements 2011–2013 cycle: In December 2013, the IASB issued its Annual Improvements 2011–2013 cycle, resulting in minor amendments to four different standards, including IFRS 13 *Fair Value Measurement*. The amendments are generally intended to clarify requirements rather than result in substantive changes to current practice. The amendments are effective for annual periods beginning on or after July 1, 2014, with early application permitted.

Annual Improvements 2012–2014 cycle: In September 2014, the IASB issued its Annual Improvements 2012–2014 cycle, resulting in minor amendments to four different standards, including IFRS 7 *Financial Instruments: Disclosures* and IAS 19 *Employee Benefits*. The amendments are generally intended to clarify requirements rather than result in substantive changes to current practice. The amendments are effective for annual periods beginning on or after January 1, 2016, with early application permitted.

4 – Restatement of consolidated statement of cash flows for the year ended March 31, 2014

The Corporation reviewed the presentation and classification of its cash flows during the year, and reclassified certain items between investing and operating activities, to reflect their nature more accurately. The Corporation removed the amortization of premiums and discounts from its investing activities which resulted in an adjustment to the investment income cash flows included within its operating activities. The Corporation has restated the consolidated statement of cash flows for the year ended March 31, 2014, to conform to current year presentation. The changes are summarized in the following table:

For the year ended March 31 (C$ thousands)	2014	Adjustment	2014 (restated)
Operating activities			
Investment income received	36,428	9,489	45,917
Investing activities			
Purchase of investment securities	(6,081,570)	386,660	(5,694,910)
Proceeds from sale or maturity of investment securities	5,881,600	(396,149)	5,485,451

5 – Investment securities

As at March 31, 2015 (C$ thousands)	Remaining term to maturity			
	90 days or less	91 days to 1 year	1 to 5 years	Total
Treasury bills	21,260	29,816	–	51,076
Weighted average effective yield (%)	0.63	0.98	–	0.83
Bonds	165,887	426,586	2,398,510	2,990,983
Weighted average effective yield (%)	2.01	1.20	1.32	1.34
Total investment securities	**187,147**	**456,402**	**2,398,510**	**3,042,059**
Weighted average effective yield (%)	**1.85**	**1.19**	**1.32**	**1.33**

As at March 31, 2014 (C$ thousands)	Remaining term to maturity			
	90 days or less	91 days to 1 year	1 to 5 years	Total
Treasury bills	310,774	401,290	–	712,064
Weighted average effective yield (%)	1.04	1.05	–	1.04
Bonds	499,851	405,899	1,138,447	2,044,197
Weighted average effective yield (%)	1.37	1.77	1.58	1.57
Other	4,200	–	–	4,200
Weighted average effective yield (%)	0.95	–	–	0.95
Total investment securities	**814,825**	**807,189**	**1,138,447**	**2,760,461**
Weighted average effective yield (%)	**1.24**	**1.41**	**1.58**	**1.43**

The carrying amounts in the above tables include accrued interest.

The fair values of investment securities are quoted prices in active markets for identical assets (i.e., Level 1 of the fair value hierarchy).

As at March 31 (C$ thousands)	2015			2014
	Amortized cost	Gross unrealized gains	Fair value	Fair value
Treasury bills	51,076	81	51,157	711,584
Bonds	2,990,983	53,309	3,044,292	2,051,881
Other	–	–	–	4,200
Total investment securities	**3,042,059**	**53,390**	**3,095,449**	**2,767,665**

The Corporation's total interest income for financial assets measured at amortized cost was $40,378 thousand for the year ended March 31, 2015 (2014: $36,437 thousand). The Corporation did not recognize any fee income or expense for its financial assets measured at amortized cost (2014: nil).

6 – Trade and other receivables

As at March 31 (C$ thousands)	2015	2014
Accounts receivable	53	86
Other receivables	1,468	1,468
Total trade and other receivables	**1,521**	**1,554**

As at March 31, 2015 and 2014, none of the receivable balances were past due and there was no objective evidence of impairment.

The carrying amount of accounts receivable approximates their fair value due to their short term to maturity. Other receivables consist of a note receivable due on June 30, 2015, the fair value of which was $1,466 thousand as at March 31, 2015 (2014: $1,463 thousand). The fair value of the note receivable has been estimated by present valuing future cash flows and is categorized as Level 2 of the fair value hierarchy.

7 – Recovery of amounts previously written off

During the year ended March 31, 2015, CDIC recognized a $2,876 thousand recovery (2014: $11,500 thousand) from the estate of Standard Trust Company, a member institution that failed in 1991.

The estate of Standard Trust Company is in the process of winding down as all litigation has been settled; therefore, it is virtually certain that this recovery will be received during the following 12 months. There may be additional immaterial final recoveries from the estate upon dissolution.

8 – Property, plant and equipment

(C$ thousands)	Computer hardware	Furniture and equipment	Leasehold improvements	Total
Cost				
Balance, March 31, 2013	**5,729**	**1,943**	**6,362**	**14,034**
Additions	402	378	161	941
Retirements	(171)	–	–	(171)
Balance, March 31, 2014	**5,960**	**2,321**	**6,523**	**14,804**
Additions	287	131	109	527
Retirements	(111)	–	–	(111)
Balance, March 31, 2015	**6,136**	**2,452**	**6,632**	**15,220**
Accumulated depreciation				
Balance, March 31, 2013	**4,547**	**1,039**	**1,732**	**7,318**
Depreciation	651	164	380	1,195
Retirements	(170)	–	–	(170)
Balance, March 31, 2014	**5,028**	**1,203**	**2,112**	**8,343**
Depreciation	525	175	402	1,102
Retirements	(111)	–	–	(111)
Balance, March 31, 2015	**5,442**	**1,378**	**2,514**	**9,334**
Carrying amounts				
Balance, March 31, 2014	932	1,118	4,411	6,461
Balance, March 31, 2015	**694**	**1,074**	**4,118**	**5,886**

As at March 31, 2015 and 2014, there was no property, plant and equipment in the course of construction.

9 – Intangible assets

(C$ thousands)	Computer software	Computer software under development	Total
Cost			
Balance, March 31, 2013	**4,040**	**2,162**	**6,202**
Additions–internal development	1,015	1,993	3,008
Transfers	3,641	(3,641)	–
Retirements	–	–	–
Balance, March 31, 2014	**8,696**	**514**	**9,210**
Additions–internal development	133	370	503
Transfers	816	(816)	–
Retirements	–	–	–
Balance, March 31, 2015	**9,645**	**68**	**9,713**
Accumulated amortization			
Balance, March 31, 2013	**1,892**	**–**	**1,892**
Amortization	776	–	776
Retirements	–	–	–
Balance, March 31, 2014	**2,668**	**–**	**2,668**
Amortization	1,273	–	1,273
Retirements	–	–	–
Balance, March 31, 2015	**3,941**	**–**	**3,941**
Carrying amounts			
Balance, March 31, 2014	6,028	514	6,542
Balance, March 31, 2015	**5,704**	**68**	**5,772**

The carrying amount of computer software as at March 31, 2015, consists of two intangible assets: the Fast Insurance Determination (FID) software and the Regulatory Reporting System (RRS). The FID software tests members' compliance with CDIC's *Data and System Requirements By-law* and facilitates the determination of member institutions' insured deposits. Its carrying amount as at March 31, 2015, was $1,770 thousand, with a remaining amortization period of 2.25 years (2014: $2,190 thousand and 3.25 years, respectively). The carrying amount for RRS, a system used for collecting financial data from federally regulated financial institutions, as at March 31, 2015, was $3,934 thousand, with a remaining amortization period of 5.5 years (2014: $4,352 thousand, with a remaining amortization period of 6.5 years).

10 – Deferred lease inducement

The Corporation has received lease inducements from one of its landlords, in the form of free rent periods and reimbursements for leasehold improvements. The aggregate benefit of these incentives is recognized as a reduction of operating expenses on a straight-line basis over the term of the lease. A total of $1,073 thousand is expected to be recognized as a reduction of operating expenses more than 12 months after March 31, 2015 (more than 12 months after March 31, 2014: $1,186 thousand).

11 – Provision for insurance losses

The provision for insurance losses represents the Corporation's best estimate of the future outflow of economic benefits resulting from the Corporation's duty to insure deposits held by member institutions in the event of failure. The estimate is based on an expected loss calculation and is subject to uncertainty surrounding amount and timing of losses. As such, actual losses may differ significantly from estimates.

Changes in the provision for insurance losses are summarized as follows:

(C$ thousands)	Provision for insurance losses
Balance, March 31, 2014	**1,200,000**
Additional provisions	50,000
Balance, March 31, 2015	**1,250,000**

The provision for insurance losses is calculated at its present value using a pre-tax, risk-free discount rate. The rate used in the calculation of the provision at March 31, 2015, was 0.77% (2014: 1.71%). The impact of this change in rate is $57 million.

12 – Financial instruments and financial risk management

Classification and measurement of financial instruments

The table below sets out the carrying amounts of the Corporation's financial assets and financial liabilities, all of which are measured at amortized cost in accordance with IFRS 9 (2009):

As at March 31 (C$ thousands)	2015	2014
Cash	1,584	699
Investment securities	3,042,059	2,760,461
Trade and other receivables	1,521	1,554
Financial assets	**3,045,164**	**2,762,714**
Trade and other payables	4,651	5,177
Financial liabilities	**4,651**	**5,177**

See Note 5 for additional information on the maturity and composition of the Corporation's investment securities.

Fair value of financial instruments

With the exception of investment securities and certain trade and other receivables, the carrying amounts of the Corporation's financial instruments measured at amortized cost approximate their fair values. The fair values of the Corporation's investment securities are disclosed in Note 5 and are determined based on quoted mid-market prices in active markets. The fair value of certain trade and other receivables is disclosed in Note 6 and is based on a discounted cash flow model, discounting expected future cash flows using a discount rate appropriate to an AA rated counterparty.

Financial risk management objectives

The Corporation's assets consist primarily of its investment securities. CDIC's investment strategy is based on two key principles: limiting credit and market risk to preserve principal; and the use of the investment portfolio as a funding source for intervention activities. CDIC has a comprehensive risk management framework to evaluate, monitor and manage its risks. All risks, financial and other, are managed in accordance with an Enterprise Risk Management (ERM) framework which sets out the responsibilities of the Board of Directors.

Formal policies are in place for all significant financial risks to which CDIC is exposed. The policies are reviewed regularly, at least annually, in order to ensure that they continue to be appropriate and prudent. Significant financial risks that arise from transacting and holding financial instruments include credit, liquidity and market risks. There have been no significant changes in the Corporation's exposure to these financial risks since the prior period, nor in the methods used to measure them.

Credit risk

Credit risk is defined as the risk of loss attributable to counterparties failing to honour their obligation, whether on- or off-balance sheet, to CDIC. CDIC's maximum exposure to credit risk is the carrying amount of cash, investment securities, and trade and other receivables held on the consolidated statement of financial position. None of the trade and other receivables are past due.

CDIC's *Board Credit Risk Policy* sets out, among other things, that the Board of Directors shall approve investment dealers, securities vendors, agents acting on behalf of CDIC and others with whom CDIC is authorized to transact with respect to financial transactions. Investments are to be held with approved creditworthy counterparties that must have a minimum credit rating from an external credit rating agency (Standard & Poor's or Moody's). CDIC cannot exceed Board-approved limits for transactions, by transactor, either individually or on a combined basis.

The Corporation's financial risk policies limit investments to the obligations of the Government of Canada and agent Crowns and the obligations of provincial governments or municipal financing authorities. Risk is further limited by setting a maximum amount and term for each investment. Counterparties for investments of less than three years must have a minimum credit rating of A. The Corporation's investment securities with a term of more than three years but less than five years are restricted to securities having a minimum credit rating of AA-. Securities with a term of more than five years are not permitted.

In addition, CDIC adheres to the *Minister of Finance Financial Risk Management Guidelines for Crown Corporations* in order to minimize its credit risk.

The following table summarizes the credit quality of CDIC's investment securities by credit rating:

Credit rating *As at March 31 (C$ thousands)*	2015	2014
AAA	2,755,067	2,291,656
AA+	56,815	109,000
AA	105,437	143,061
AA-	43,237	118,465
A+	81,503	98,279
Total investment securities	**3,042,059**	**2,760,461**

CDIC may at times intervene in one capacity or another, in providing financial assistance to a troubled financial institution, either in the form of a loan, by guarantee or otherwise. The Corporation could also have to make payment to insured depositors in the event of a member institution failure. The latter action results in claims receivable by the Corporation. Realization on its claims is largely dependent on the credit quality or value of assets held within the estates of failed member institutions, thus exposing CDIC to additional credit risk. The Corporation is closely involved in the asset realization process of these failed institutions in order to mitigate credit risk and minimize any potential loss to CDIC.

Liquidity risk

Liquidity risk is defined as the risk that funds will not be available to CDIC to honour its cash obligations, whether on- or off-balance sheet, as they arise.

Exposure to liquidity risk relates firstly to funding ongoing day-to-day operations. Potential cash requirements could also arise to fund payouts of insured deposits in the case of a member institution failure or to provide financial assistance for other member intervention activities. The predictability of these events is difficult. The Corporation's liquidity risk is subject to extensive risk management controls and is managed within the framework of policies and limits approved by the Board. The Board receives reports on risk exposures (semi-annually) and performance against approved limits (quarterly). The Asset/Liability Committee (ALCO) provides senior management oversight of liquidity risks through its regularly scheduled meetings.

The *Board Liquidity Risk Policy* sets out, among other things, Management's responsibilities in managing the Corporation's portfolio of investment securities while respecting, firstly, the parameters established under all the financial policies, and, secondly, CDIC's mandate and statutory objects. The maturity profile of the portfolio is to be matched against maturing debt, if any, or any other cash outflow requirements and is also to comply with Board-approved term to maturity portfolio allocations.

The Corporation also has authority to borrow funds from the capital markets or from the Consolidated Revenue Fund. CDIC currently may borrow up to $20 billion (March 31, 2014: $19 billion), subject to ministerial approval. Under the *Budget Implementation Act, 2009,* the borrowing limit is adjusted annually to reflect the growth of insured deposits.

Market risk

Market risk is defined as the risk of loss attributable to adverse changes in the values of financial instruments and other investments or assets owned directly or indirectly by CDIC, whether on- or off-balance sheet, as a result of changes in market prices (due to changes in interest rates, foreign exchange rates and other price risks).

Principal exposures to market risk relate to the Corporation holding financial assets or liabilities where values are influenced by market conditions, such as its portfolio of investment securities. CDIC's main exposure to market risk is through interest rate risk. The Corporation's exposure to foreign exchange risks and other price risks is insignificant.

Interest rate risk

The Corporation accounts for its investment securities at amortized cost but obtains fair market values for the investment securities on a daily basis for disclosure and financial risk management purposes. As a result, the Corporation obtains a clear picture of the impact of changes in interest rates on the market value of its investment securities. The difference between the amortized cost of its investment securities and their fair market value is disclosed in Note 5 of these consolidated financial statements. Movement in interest rates can have a significant impact on the Corporation's consolidated financial statements, specifically on its investment income due to the size of its portfolio of investment securities and the relative importance of the revenue it generates. CDIC manages its interest rate exposures with the objective of enhancing interest income within established risk tolerances while adhering to approved policies. Interest rate shock analyses are performed on a regular basis on the Corporation's investment securities to evaluate the impact of possible interest rate fluctuations on interest income.

Other financial assets exposed to interest rate risk include cash which is held at short-term interest rates. Such exposure is not significant.

The following table shows how after-tax net income would have been affected by a 100 basis point increase or by a 25 basis point decrease in interest rates based on the investment portfolios at the end of each corresponding fiscal year. There have been no changes to the methods or assumptions used in this sensitivity analysis from the previous year.

	Increase (decrease) in net income	
For the year ended March 31 (C$ thousands)	2015	2014
100 basis point increase	2,384	8,139
25 basis point decrease	(596)	(2,035)

Currency risk and other price risk

The *Board Market Risk Policy* sets out, among other things, Management's responsibility not to expose the Corporation to any material equity, foreign exchange or commodity related positions. CDIC cannot engage in trading financial instruments other than to meet its liquidity requirements, which are funding day-to-day operations and funding intervention solutions respecting member institutions.

13 – Capital management

The Corporation's capital is comprised of *ex ante* funding. CDIC is not subject to externally imposed capital requirements. There has been no change in what the Corporation considers as capital and management of capital was performed on a basis consistent with that of the preceding year.

The Corporation has determined that it is prudent to maintain an amount of advance or *ex ante* funding to absorb losses. The amount of such funding is represented by the aggregate of the Corporation's retained earnings and its provision for insurance losses. As at March 31, 2015, the minimum target for the *ex ante* funding is 100 basis points of insured deposits.

The Corporation has not yet achieved the target for capital as determined by the *ex ante* funding process. The primary mechanism used to manage the level of capital is premium rates.

Ex ante funding

	Actual		Target
As at March 31 (C$ thousands)	2015	2014	2015
Retained earnings	1,800,627	1,568,529	
Provision for insurance losses	1,250,000	1,200,000	
Total *ex ante* funding	**3,050,627**	**2,768,529**	**6,840,428***
Total basis points of insured deposits	**45***	**42****	**100**

*Based on level of insured deposits as at April 30, 2014
** Based on level of insured deposits as at April 30, 2013

14 - Income taxes

The Corporation is subject to federal income tax. The Corporation's primary source of taxable income is its interest income. From this amount, allowable expenditures are deducted in order to arrive at its net income for tax purposes. Under the provisions of the *Income Tax Act* the Corporation's premium revenue is not taxable and the recoveries of amounts previously written off are not deductible.

The following table sets out details of income tax expense recognized in net income:

For the year ended March 31 (C$ thousands)	2015	2014
Current income tax:		
Current income tax recovery	(180)	(912)
Adjustments in respect of current income tax of previous years	(12)	(13)
Deferred tax:		
Relating to the origination and reversal of temporary differences	268	536
Income tax expense (recovery) recognized in net income	**76**	**(389)**

The following table presents a reconciliation of the Corporation's recognized income tax expense to income tax expense based on the Canadian federal tax rate:

For the year ended March 31 (C$ thousands)	2015	2014
Net income before income taxes	232,216	251,695
Expected income tax at the 25% federal tax rate (2014: 25%)	58,054	62,924
Non-deductible adjustments:		
Premium revenue	(69,843)	(47,932)
Increase (decrease) in non-deductible provision for insurance losses	12,500	(12,500)
Recovery of amounts previously written off	(719)	(2,875)
Other	84	(6)
Income tax expense (recovery) recognized in net income	**76**	**(389)**

The tax effects of temporary differences that gave rise to deferred assets and liabilities during the years ended March 31, 2015 and 2014, are as follows:

As at March 31, 2015 (C$ thousands)	Opening balance	Recognized in net income	Recognized in other comprehensive income	Closing balance
Deferred tax assets				
Lease incentives	325	(29)	-	296
Accounts payable	-	50	-	50
Defined benefit obligations	270	32	14	316
Other long-term employee benefits	180	55	-	235
Deferred tax liabilities				
Property, plant and equipment, and intangible assets	(1,244)	(376)	-	(1,620)
Net deferred tax asset (liability)	**(469)**	**(268)**	**14**	**(723)**

As at March 31, 2014 (C$ thousands)	Opening balance	Recognized in net income	Recognized in other comprehensive income	Closing balance
Deferred tax assets				
Lease incentives	353	(28)	-	325
Holdbacks	13	(13)	-	-
Defined benefit obligations	284	41	(55)	270
Other long-term employee benefits	10	170	-	180
Deferred tax liabilities				
Property, plant and equipment, and intangible assets	(538)	(706)	-	(1,244)
Net deferred tax asset (liability)	122	(536)	(55)	(469)

15 – Premium revenue

Under CDIC's *Differential Premiums By-law*, members are classified into four different categories based on a system that scores them according to a number of criteria or factors. The premium rates in effect for the 2014/2015 fiscal year are as follows:

Premium Category *(basis points of insured deposits)* *For the year ended March 31*	2015	2014
Category 1	3.5	2.8
Category 2	7.0	5.6
Category 3	14.0	11.1
Category 4	28.0	22.2

Premium revenue of $279 million was recorded during the year, compared to $192 million for the same period last year. Premium revenue is higher compared to last year due to an increase in premium rates, changes in the categorization of certain member institutions, and an increase in total insured deposits held at member institutions.

16 – Operating expenses

For the year ended March 31 (C$ thousands)	2015	2014
Salaries and other personnel costs	21,334	20,529
Professional and other fees	5,269	5,208
Premises	3,382	3,556
General expenses	3,212	2,497
Public awareness	2,865	2,663
Depreciation and amortization	2,375	1,971
Data processing	2,179	1,739
	40,616	38,163
Expense recoveries from related parties[a]	154	140
Total operating expenses	**40,462**	**38,023**

a The Corporation provides call centre services on a cost recovery basis to the Office of the Superintendent of Financial Institutions (OSFI) through an outsourcing arrangement with a third party.

17 – Related party disclosures

The consolidated financial statements incorporate the financial statements of the Corporation and the financial statements of ACC, a structured entity controlled by the Corporation. Balances and transactions between the Corporation and ACC have been eliminated on consolidation and are not disclosed in this Note.

Although CDIC is a corporation without share capital, its parent is the Government of Canada as all the Directors of the Corporation, other than *ex officio* Directors, are appointed by the Governor in Council or by a Minister of the Government of Canada with the approval of the Governor in Council.

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation has transacted with related parties through both the provision and receipt of various services. Such transactions were conducted in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The following table discloses significant related party transactions:

		Expense for the year ended March 31		Costs capitalized during the year ended March 31		Balance payable as at March 31	
(C$ thousands)	Note	2015	2014	2015	2014	2015	2014
Bank of Canada	a	951	688	158	2,191	–	679
Public Service Pension Plan	b	2,679	2,876	–	–	–	252

a The Bank of Canada hosts the Regulatory Reporting System (RRS), a system used for collecting financial data from federally regulated financial institutions. The RRS is jointly controlled by CDIC, OSFI and the Bank of Canada, and the three parties share equally the operating and capital costs of the system.

b All eligible employees of the Corporation participate in the Public Service Pension Plan, a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. See Note 20 for further details.

Remuneration of Key Management Personnel

The amounts in the table below were recognized as expenses related to Key Management Personnel remuneration:

For the year ended March 31 (C$ thousands)	2015	2014
Short-term benefits	2,042	1,548
Post-employment benefits	716	521
Other long-term benefits	53	15
Total Key Management Personnel remuneration	**2,811**	**2,084**

18 – Interests in consolidated structured entities

During the year ended March 31, 2015, a loan of $200 thousand was provided to ACC to fund litigation efforts and administration costs of the structured entity. The total loan outstanding to ACC is $820 thousand as at March 31, 2015 (2014: $620 thousand). Management does not expect any further loans to be provided.

19 – Contingencies and commitments

There were no claims pending against the Corporation as at March 31, 2015.

The Corporation leases office space in Ottawa and Toronto. The lease of office space in Ottawa ends in September 2020, with two consecutive renewal options, both for five-year terms. The lease of office space in Toronto ends in October 2016, with an option to renew for an additional five years.

Minimum lease payments recognized as an expense for the year ended March 31, 2015, totalled $1,606 thousand (2014: $1,531 thousand).

The following table shows future aggregate minimum lease payments (exclusive of other occupancy costs) under non-cancellable operating leases:

As at March 31 (C$ thousands)	2015	2014
Not later than one year	1,735	1,523
Later than one year and not later than five years	6,854	6,421
Later than five years	966	2,577
Total	**9,555**	**10,521**

As at March 31, 2015, CDIC had commitments of $375 thousand in relation to the development and upgrade of its website (2014: nil).

The Corporation has other various lease and contractual agreements for services. As at March 31, 2015, these future commitments are $2,925 thousand in total.

20 – Employee benefits

For the year ended March 31 (C$ thousands)	2015	2014
Defined benefit obligations	1,946	1,765
Other long-term employee benefits	943	721
Employee benefits	**2,889**	**2,486**

The Corporation's employees receive a number of employee benefits, including membership in the Public Service Pension Plan, defined benefit plans and other long-term employee benefits.

Public Service Pension Plan

All eligible employees of the Corporation participate in the Public Service Pension Plan, a contributory defined benefit plan established and governed by the *Public Service Superannuation Act*, and sponsored by the Government of Canada. Pension benefits are based on salary, pensionable service, age, and reason for termination. Contributions to the Pension Plan are required from both the employees and the Corporation. As required under present legislation, the contributions made by the Corporation to the Pension Plan are 7.13 times (2014: 7.59 times) the employees' contribution on amounts of salaries in excess of $158 thousand (2014: $155 thousand). For amounts of salaries below $158 thousand, the Corporation's contribution rate is 1.28 times (2014: for employment start dates before January 1, 2013, the employer rate was 1.45 times, and for start dates after December 31, 2012, the rate was 1.43 times).

For employees with employment start dates before January 1, 2013, an unreduced pension benefit can be received at age 60 with at least two years of pensionable service (or age 55 with 30 years of service). For employees with employment start dates after December 31, 2013, an unreduced pension benefit can be received at age 65 with at least two years of pensionable service (or age 60 with 30 years of service).

In the consolidated financial statements of the Corporation, the Pension Plan is treated as a defined contribution plan. The Corporation's expense in relation to the Pension Plan is provided in Note 17. The estimated expense for fiscal 2015/2016 is $3,046 thousand. There is no contractual agreement or stated policy for charging the net defined benefit cost of the Pension Plan to CDIC; the only obligation of the Corporation with respect to the Pension Plan is to make the specified contributions.

Defined benefit plans

The Corporation sponsors defined benefit plans in the form of resignation benefits, retirement benefits and death benefits.

Retirement benefits are provided by the Corporation to certain employees upon retirement based on years of service and final salary. Resignation benefits are provided to certain employees with 10 or more years of continuous employment with the Corporation. The death benefit plan provides a lump sum payment based on salary at the time of death. These benefit plans are unfunded, require no contributions from employees and thus have no assets. The benefit plans have a plan deficit equal to the accrued benefit liability. Benefits will be paid from the Corporation's operations.

The most recent actuarial valuation of the unfunded obligations, and the related current service cost and past service cost was carried out as at March 31, 2015, by an independent actuary, using the projected unit credit method. The principal assumptions used for the purposes of the actuarial valuations were as follows:

For the year ended March 31	2015	2014
Discount rate	3.12%	3.90%
Rate of compensation increase:		
Fiscal 2014/2015	1.0% + merit	1.0% + merit
Fiscal 2015/2016	1.0% + merit	1.0% + merit
Thereafter	1.0% + merit	1.0% + merit

The following table shows amounts recognized in operating expenses in respect of these defined benefit plans:

For the year ended March 31 (C$ thousands)	2015	2014
Current service cost	131	159
Interest on obligation	69	70
Defined benefit obligations expense	**200**	**229**

The expense for the year is included in operating expenses as salaries and other personnel costs. The following table shows cumulative actuarial gains/losses recognized immediately in retained earnings as other comprehensive income:

(C$ thousands)	Actuarial gains (losses)
Cumulative amount at March 31, 2013	**7**
Recognized during the period	220
Cumulative amount at March 31, 2014	**227**
Recognized during the period	(56)
Cumulative amount at March 31, 2015	**171**

The amount included in the statement of financial position is equivalent to the present value of the unfunded defined benefit obligations. The following table presents movements in the present value of the defined benefit obligations:

(C$ thousands)	Defined benefit obligations
Balance, March 31, 2013	**1,820**
Current service cost	159
Interest cost	70
Benefit payments	(64)
Actuarial gain arising from changes in demographic assumptions	2
Actuarial loss arising from changes in financial assumptions	(222)
Balance, March 31, 2014	**1,765**
Current service cost	131
Interest cost	69
Benefit payments	(75)
Actuarial gain arising from changes in demographic assumptions	(80)
Actuarial loss arising from changes in financial assumptions	136
Cumulative amount at March 31, 2015	**1,946**

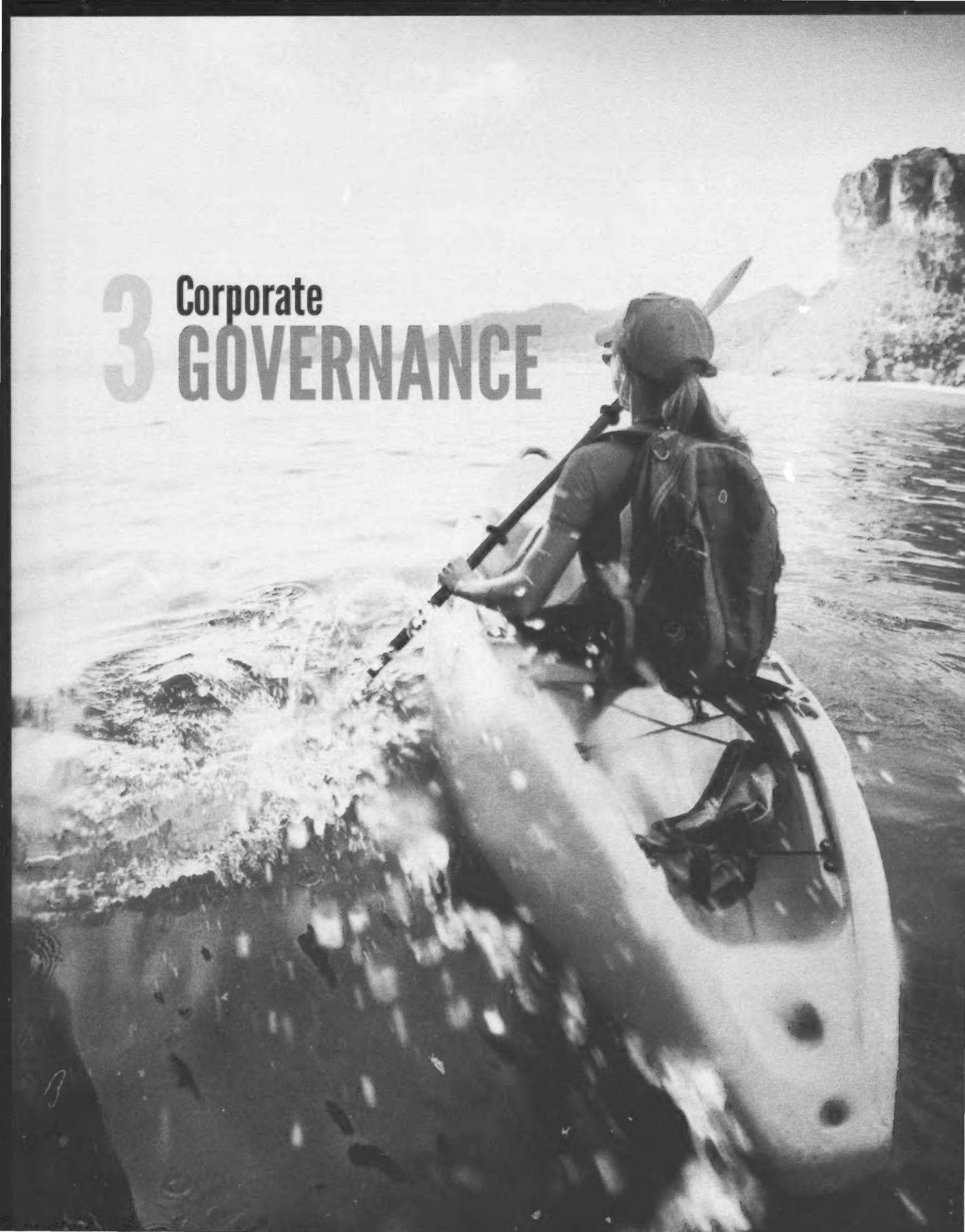
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below.

As at March 31 (C$ thousands)	2015	2014
Increase (decrease) in defined benefit obligations		
Effect of an increase of 1%		
Discount rate	(171)	(152)
Rate of compensation increase	211	189
Effect of a decrease of 1%		
Discount rate	199	176
Rate of compensation increase	(185)	(166)

The sensitivity analysis presented above has been calculated using the projected unit credit method at the end of the reporting period, which is the same method as that applied in calculating the defined benefit obligations recognized in the statement of financial position. The sensitivity analysis may not be representative of the actual change in the defined benefit obligations as some of the assumptions may be correlated.

There was no change from prior years in the methods and assumptions used in preparing the sensitivity analysis.

As at March 31, 2015, the weighted average duration of the defined benefit obligations was 10 years (2014: 10 years).



3 Corporate GOVERNANCE

Corporate GOVERNANCE

CDIC remains committed to and maintains a strong governance framework. This section of our *Annual Report* presents information about the CDIC Board of Directors, including its committees and Director attendance, and outlines how CDIC works to meet public service expectations in the area of good governance.

More about governance

For additional information on how CDIC is governed, including information about Board and committee charters and Directors, please visit our website at **www.cdic.ca**.

Board of Directors

CDIC's affairs are administered by its Board, made up of a Chairperson, five other private sector Directors and five *ex officio* Directors (the Governor of the Bank of Canada, the Deputy Minister of Finance, the Superintendent of Financial Institutions (OSFI), a Deputy Superintendent of Financial Institutions or another officer of OSFI appointed by the Minister of Finance, and the Commissioner of the Financial Consumer Agency of Canada (FCAC)).

CDIC's Board of Directors oversees the strategic direction of the Corporation and ensures that significant business risks are identified and well-managed. The Board's commitment to effective stewardship and its overall mandate are outlined in its charter. An overview of the composition of CDIC's Board of Directors and of its supporting committees follows.

Board of Directors composition

as at March 31, 2015

Bryan P. Davies
Chair
Joined: June 2006
Re-appointed as Chair for a five-year term, effective June 2011

Private sector Directors

George Burger
Business Executive
Toronto, Ontario
Joined: November 2010
Re-appointed June 2014 for a three-year term

Susan Hicks
Business Executive
Moncton, New Brunswick
Joined: February 2015
Appointed for a three-year term

John S. McFarlane
Lawyer
Halifax, Nova Scotia
Board member from September 2008 to February 2015

Éric Pronovost
Chartered Professional Accountant
Trois-Rivières, Québec
Joined: September 2008
Re-appointed February 2015 for a two-year term

Shelley M. Tratch
Lawyer
Vancouver, British Columbia
Joined: December 2006
Re-appointed February 2013 for a three-year term

Angela Tu Weissenberger
Economist
Calgary, Alberta
Joined: June 2012
Re-appointed March 2015 for a three-year term

Ex officio Directors

Stephen Poloz
Governor
Bank of Canada
Joined: June 2013
Appointed for a seven-year term

Michael Horgan
Deputy Minister
Department of Finance
Board member from September 2009 to April 2014

Paul Rochon
Deputy Minister
Department of Finance
Joined: April 2014
Appointed to hold office during pleasure

Julie Dickson
Superintendent of Financial Institutions
Office of the Superintendent of Financial Institutions
Board member from October 2006 to June 2014

Jeremy Rudin
Superintendent of Financial Institutions
Office of the Superintendent of Financial Institutions
Joined: June 2014 (Alternate for Deputy Minister from October 2008 to June 2014)
Appointed for a seven-year term

Ex officio Directors *(continued)*

Andrew Kriegler
Deputy Superintendent, Supervision Sector
Office of the Superintendent of Financial Institutions
Board member from June 2013 to October 2014
Appointed pursuant to s. 5(1)(b.1) of the CDIC Act

Vacant
Office of the Superintendent of Financial Institutions

Lucie Tedesco
Commissioner
Financial Consumer Agency of Canada
Joined: June 2013
Appointed for a five-year term

Alternates
(for ex officio Directors)

Lawrence Schembri
Deputy Governor
Bank of Canada
Designated Alternate: April 2013

Rob Stewart
Assistant Deputy Minister
Financial Sector Policy Branch
Department of Finance
Designated Alternate: July 2014

Names in bold denote current Board members.

Board committees

Three committees supported the Board in its activities throughout 2014/2015: the Audit Committee, the Human Resources and Compensation Committee, and the Governance and Nominating Committee. A fourth committee, the Executive Committee, meets when required.

Audit Committee

Mandate

The Audit Committee oversees internal and external audits and risk management, and advises the Board on financial issues, including the review and approval of quarterly financial reports, and the review of the Management's Discussion and Analysis section of CDIC's *Annual Report* (which includes the consolidated financial statements).

Composition

- **É. Pronovost (Chair)**—Member since September 2008 and Chair since June 2009
- **G. Burger**—Member since January 2011
- A. Kriegler—Member from July 2013 to October 2014
- J.S. McFarlane—Member from September 2008 to February 2015
- **A. Tu Weissenberger**—Member since June 2012

Human Resources and Compensation Committee

Mandate

The Human Resources and Compensation Committee reviews and advises the Board on human resource issues including: Chief Executive Officer (CEO) performance management, succession planning, compliance with standards of business conduct and ethics, statutory requirements, and compensation.

Composition

- **S.M. Tratch (Chair)**—Member since January 2007 and Chair since February 2008
- **B.P. Davies**—Member since September 2006 and Chair from September 2006 to February 2008
- J. Dickson—Member from February 2008 to June 2014
- J.S. McFarlane—Member from September 2008 to February 2015
- **S. Poloz**—Member since September 2014
- **A. Tu Weissenberger**—Member since June 2012

Names in bold denote current Board members.

Governance and Nominating Committee

Mandate

The Governance and Nominating Committee ensures that appropriate structures and processes are in place for effective oversight of and direction for CDIC's activities, including the Corporation's public awareness strategy and plan.

Composition

- J.S. McFarlane (Chair)—Chair from January 2011 to February 2015
- **G. Burger**—Member since January 2011
- **B.P. Davies**—Member since June 2006 and Chair from June 2006 to June 2009
- **L. Tedesco**—Member since September 2013
- **S.M. Tratch**—Member since January 2007

Executive Committee

Mandate

The Executive Committee meets when required, at the request of the Board, the Chairperson, or the President and CEO, to review any matter referred to it by any of them that would not be considered within the mandate of any other Committee of the Board; and to carry out such other functions as are assigned or delegated to it by the Board.

Composition

- **B.P. Davies (Chair)**—Member and Chair since June 2006
- **S. Poloz**—Member since June 2013
- **S.M. Tratch**—Member since January 2009

Names in bold denote current Board members.

Board and committee meetings and attendance

(April 1, 2014, to March 31, 2015)

Board members' attendance at the Board meetings and the Board committee meetings in respect of which they are members is summarized below.

		Board Committees			
	Board of Directors	Audit Committee	Governance and Nominating Committee	Human Resources and Compensation Committee	Executive Committee
Number of meetings[a]	5[b]	5	3	4	0
Attendance					
Private sector Directors					
B.P. Davies—Chair	5	4	2	4	N/A
G. Burger	5	5	3		
S. Hicks[c]	0				
É. Pronovost	5	5			
S.M. Tratch	5		3	4	N/A
A. Tu Weissenberger	4	5		3	
***Ex officio* Directors (Alternates)**					
Bank of Canada: S. Poloz (L. Schembri)	5 (3)			3	N/A
Superintendent of Financial Institutions: J. Rudin[d]	2				
Office of the Superintendent of Financial Institutions—Second Director: vacant					
Department of Finance: P. Rochon[e] (R. Stewart[f])	0 (4)				
Financial Consumer Agency of Canada: L. Tedesco	5		2		
Directors who departed during the year					
Department of Finance: M. Horgan[g]	0				
Department of Finance: J. Rudin[h]	0				
Superintendent of Financial Institutions: J. Dickson[i]	1			1	
Office of the Superintendent of Financial Institutions—Second Director: A. Kriegler[j]	3	3			
J.S. McFarlane[k]	4	5	3	3	

a Also includes meetings attended by telephone.
b Includes a Strategic Planning Session of the Board.
c S. Hicks was appointed to the Board effective February 26, 2015.
d J. Rudin was appointed as Superintendent of Financial Institutions effective June 29, 2014.
e P. Rochon was appointed as Deputy Minister of Finance effective April 21, 2014.
f R. Stewart was designated as Alternate to the Deputy Minister of Finance effective July 28, 2014.
g M. Horgan ceased to be a Director on April 19, 2014.
h J. Rudin ceased to be an Alternate on June 28, 2014, when he was appointed as Superintendent of Financial Institutions. See footnote d above.
i J. Dickson ceased to be a Director on June 29, 2014.
j A. Kriegler ceased to be a Director on October 31, 2014.
k J.S. McFarlane ceased to be a Director on February 26, 2015.

Directors' fees

In 2014/2015, private sector Directors' fees for the performance of their services totalled $87,460 (compared to $88,530 in 2013/2014).

Executive Team

CDIC's Executive Team is comprised of its President and Chief Executive Officer (CEO), along with four vice-presidents, each responsible for a Division within the Corporation. The President and CEO is appointed by the Governor in Council, which also approves compensation for this position. CEO performance objectives are set and evaluated annually by the Board of Directors and submitted to the Minister of Finance. Officers are appointed by the Board of Directors. The Board also approves the salary range for these individuals. CDIC's officers, as of March 31, 2015, are set out below.

Michèle Bourque
President and CEO

Karen Badgerow
Senior Vice-President, Insurance and Risk Assessment

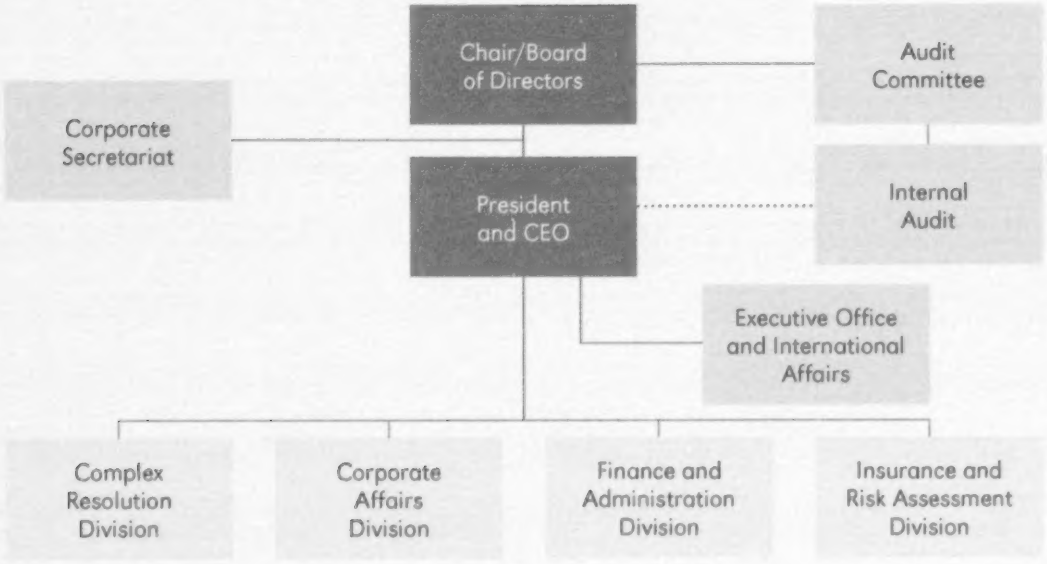
Thomas J. Vice
Senior Vice-President, Complex Resolution Division

Dean A. Cosman
Vice-President, Finance and Administration, and Chief Financial Officer

M. Claudia Morrow
Vice-President, Corporate Affairs, General Counsel and Corporate Secretary

Travel and hospitality expenses for CDIC's officers are disclosed quarterly on the Corporation's website (**www.cdic.ca**).

CDIC's organizational structure



Addressing public service expectations

Ethical behaviour and integrity

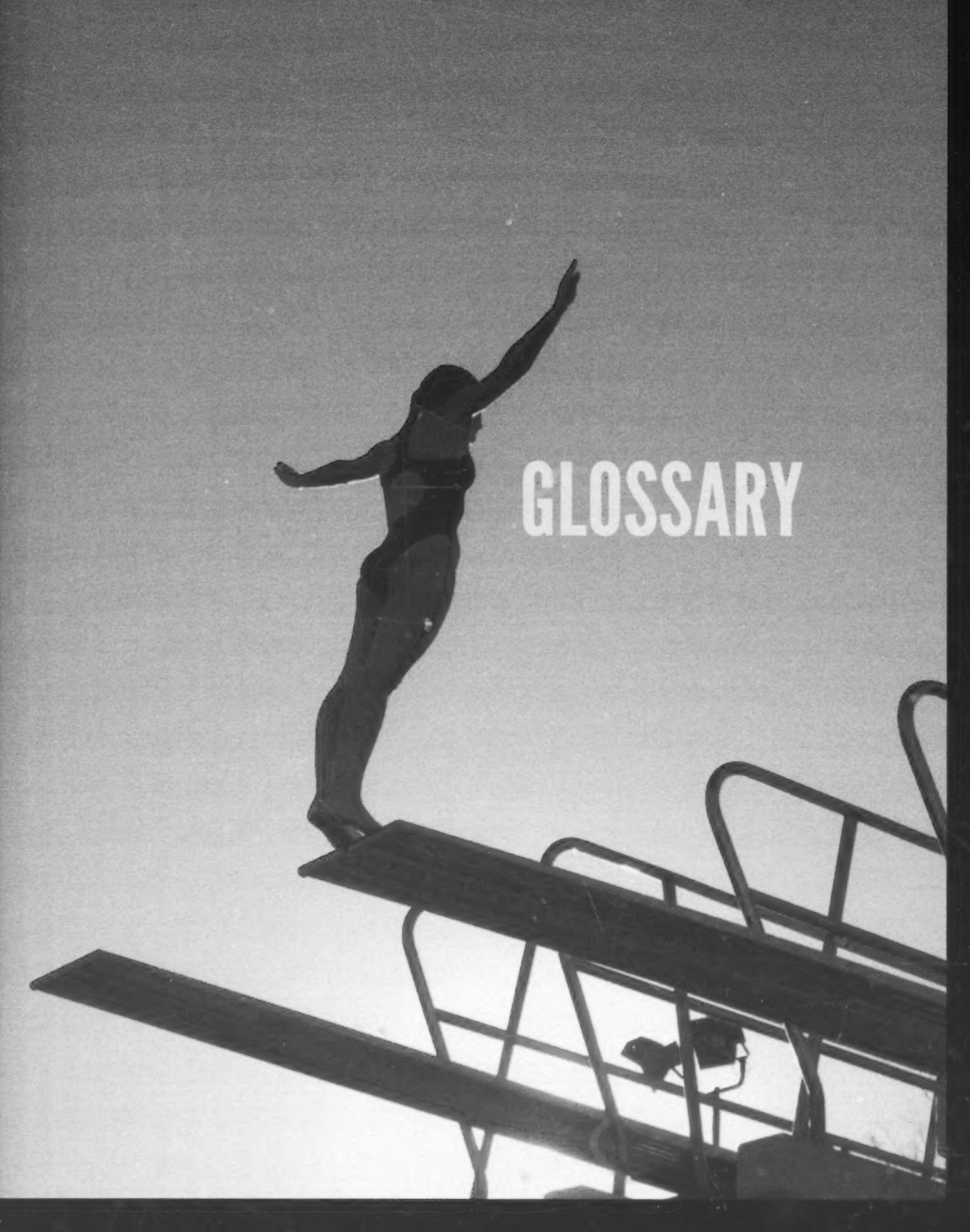
Promoting ethical behaviour and integrity is an important focus for CDIC. Adherence to our codes and ethics-related policies is a condition of employment, as is adherence to the *Values and Ethics Code for the Public Sector*, which is fully integrated into CDIC policies. Directors and employees must confirm compliance with their respective codes annually. Compliance with the codes and other ethics-related corporate practices is reported to the Audit Committee and to the Human Resources and Compensation Committee.

Ethics training

Every year employees sign declarations attesting to their compliance with CDIC policies and codes related to business conduct and ethical behavior. Mandatory employee ethics training is conducted every two years. In 2016, CDIC will conduct corporate-wide ethics training which will focus on key employee obligations, and provide practical information to employees about ethical issues that may arise on the job.

Annual Public Meeting

CDIC held its Annual Public Meeting (APM) in October 2014. The event, in the form of a webinar was hosted in both official languages via the *Investment Executive* website (English version) and its French counterpart—*Finance et investissement*. The APM is an opportunity for CDIC to provide information to stakeholders and the public on our services and mandate, as well as to answer any questions.



GLOSSARY

GLOSSARY

Bail-in: The Taxpayer Protection and Bank Recapitalization Program would allow for the permanent conversion of eligible liabilities of a non-viable D-SIB into common shares. It would allow a failing bank to be restructured so that it can keep operating and maintain its critical services, without depositor or taxpayer bail-outs. (*Régime de recapitalisation interne*)

Basel III Accord: The third of the Basel Accords, Basel III was developed in a response to deficiencies in financial regulation revealed by the global financial crisis. It is meant to strengthen bank capital requirements and introduces new regulatory requirements on bank liquidity and bank leverage. (*Accord de Bâle III*)

Basis point: One basis point is equivalent to 0.01%. (*Point de base*)

Deposit: As defined in the *Canada Deposit Insurance Corporation Act* (the *CDIC Act*), a deposit is the unpaid balance of money received or held by a CDIC member institution from or on behalf of a person in the usual course of deposit-taking business for which the member:

(a) is obliged to give credit to that person's account or is required to issue an instrument for which the member is primarily liable; and

(b) is obliged to repay on a fixed day or on demand by that person or within a specified period of time following demand by that person, including any interest that has accrued or which is payable to that person. (*Dépôt*)

Domestic systemically important bank (D-SIB): A bank that has been judged by its regulators to pose a serious risk to the financial system if it were to fail. The framework for identifying D-SIBs is set out by the Basel Committee on Banking Supervision and the assessment considers bank-specific characteristics of systemic importance, such as size, interconnectedness and substitutability, which are correlated with the systemic impact of failure. Banks designated as such are subject to intensive supervision and higher capital requirements to minimize the likelihood of failure. (*Banque d'importance systémique nationale (BISN)*)

Eligible deposit: To be eligible for CDIC deposit insurance protection, deposits must be: in Canadian currency, payable in Canada; repayable no later than five years from the date of deposit; and held in a financial institution that is a CDIC member. Eligible deposits are: savings and chequing accounts; term deposits, such as Guaranteed Investment Certificates (GICs); money orders; drafts; certified drafts and cheques. Not all deposits are eligible; for example, foreign currency deposits and investments in mortgages, stocks and mutual funds are not covered by CDIC. (*Dépôt assurable*)

***Ex ante* funding:** The accumulation of a reserve or fund to cover deposit insurance claims in anticipation of the failure of a member institution which, in the case of CDIC, is the aggregate of the retained earnings and the provision for insurance losses. (*Financement* ex ante)

***Ex officio*:** Holding a second position or office by virtue of being appointed to a first. For example, when individuals are appointed to certain senior government positions (Governor of the Bank of Canada, Superintendent or Deputy Superintendent of Financial Institutions, Deputy Minister of Finance, or Commissioner of the Financial Consumer Agency of Canada), they automatically become members of CDIC's Board of Directors, and continue as Directors as long as they hold those positions. (*Nommé (ou membre) d'office*)

Fast insurance determination: The ability to quickly determine the amount of insured deposits owed to depositors. (*Accélération du calcul des dépôts à rembourser*)

Financial market infrastructure: A multilateral system among participating institutions, including the operator of the system, used for the purposes of clearing, settling, or recording payments, securities, derivatives, or other financial transactions. (*Infrastructure des marchés financiers*)

Financial Stability Board (FSB): A body established to coordinate internationally the work of national financial authorities and international standard-setting bodies, and to develop and promote effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. (*Conseil de stabilité financière (CSF)*)

Global systemically important financial institution (G-SIFI): A financial institution that is designated to be so interconnected to the world's financial markets that its failure could pose a threat to the international financial system. The Basel Committee designates financial institutions with the highest systemic risk scores as G-SIFIs, based on size, interconnectedness, substitutability, complexity and cross-jurisdictional activities. A G-SIFI must meet a higher risk-based capital ratio to enhance its resilience, and is subject to additional regulatory oversight and requirements for group-wide resolution planning and resolvability assessments. The resolvability of each G-SIFI is reviewed annually using a high level FSB resolvability assessment process conducted by senior policy makers within the firms' Crisis Management Groups. (*Banque d'importance systémique mondiale (BISM)*)

International Financial Reporting Standards (IFRS): Standards for accounting and reporting, developed and revised by the International Accounting Standards Board (IASB) to support reliable and relevant reporting that is understandable and comparable across international jurisdictions. IFRS have increasingly replaced national financial reporting standards. (*Normes internationales d'information financière (IFRS)*)

Joint deposit: Deposit jointly held by two or more owners, all of whom are identified on the records of the member institution holding the deposit as having an interest in the deposit. (*Dépôt en commun*)

Member institution: A bank, trust company, loan company, federal credit union, or an association governed by the *Cooperative Credit Associations Act* whose deposits are insured by CDIC. (*Institution membre*)

Payout: The process undertaken by CDIC to make deposit insurance payments to the insured depositors of a failed member institution. CDIC may make a payment of deposit insurance in one of two ways: (1) by issuing cheques to insured depositors; and/or (2) by providing insured depositors with new demand deposits at another member institution. (*Remboursement des dépôts assurés*)

Premium year: The period beginning on May 1 in one year and ending on April 30 in the next year. (*Exercice comptable des primes*)

Premiums: The amount that is payable to CDIC by a member institution for deposit insurance coverage. It is calculated annually as a percentage of the total eligible insured deposits that are held by the institution as of April 30. CDIC has a differential premiums system in which institutions are classified in one of four premium categories. Institutions classified in the best premium category pay the lowest premiums. (*Primes*)

Provision for loss: The amount set aside on a balance sheet to provide for anticipated or possible loss or expenditure. CDIC maintains a provision for insurance losses that reflects the organization's best estimate of the losses it is likely to incur as a result of insuring deposits at member institutions. (*Provision pour pertes*)

Tier 1 capital ratio: The ratio of a bank's core equity capital to its risk-weighted assets. (*Ratio de fonds propres de catégorie 1*)